

Report Title: An update on Legal Disrepair
Report for: Housing, Planning & Development Scrutiny Panel
Item number: 9
Title: An update on Legal Disrepair
Report authorised by: Rachel Sharpe, Interim Director of Housing Services
Lead Officer(s): Richard Purvis, Senior Disrepair Manager
Scott Kay, Assistant Director for Repairs and Compliance
Ward(s) affected: All

**Report for Key/
Non Key Decision:** For information.

1. Recommendations

That the report be noted.

2. Describe the issue under consideration.

- 2.1 This report sets out the current status of legal disrepair claims and the work being undertaken to meet the strategic objective of reducing open case levels to a business-as-usual scenario.

3. Background

- 3.1 The Disrepair Team is responsible for responding to legal claims made against the Council in relation to housing conditions and repairs. Therefore, in essence, valid claims arise from failures to maintain the housing stock adequately due to challenges related to asset investment and the repairs service.
- 3.2 The costs associated with claims are high, mainly due to the legal costs which are applicable to successful claims. Therefore, whilst it is essential to have a properly functioning Disrepair operation to ensure claims are dealt with when received, cost prevention measures are required upstream of the legal process to limit and mitigate the Council's exposure.
- 3.3 Significant progress has been made in the Disrepair operation itself, which is the primary focus of this report. However, it is important to understand how the root causes of Disrepair exist in the asset management and repairs functions and consider how, as an organisation, we can undertake a more holistic approach to drive further improvements.

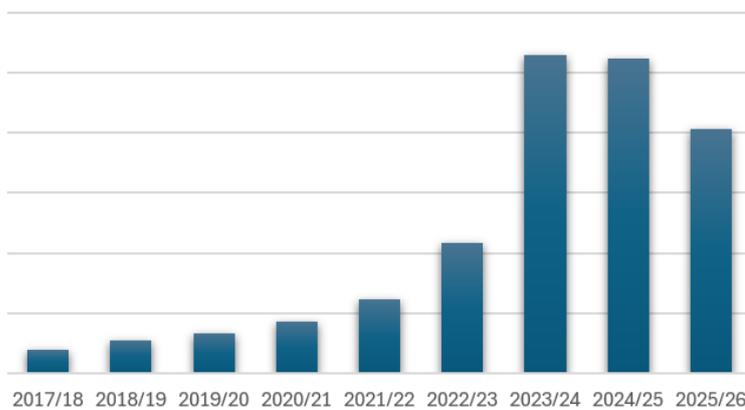
- 3.4 During 2022/23, the Council made the assessment that case levels had been increasing substantially over previous financial years and represented a significant financial risk.
- 3.5 The decision was made to engage external solicitors to assist with the volume of case levels being dealt with by the In-House Legal Department.
- 3.6 Case levels continued to increase due to the extent and complexities of the works associated with the claims and the timescales and resources required, resulting in delays in completions. The delays were also exacerbated by a lack of experience across delivery teams, in dealing and complying with the strict legal protocols involved.
- 3.7 The above delays and increased case load led to increases in associated costs for each case, and in a build-up of future costs associated with legal fees and compensation directly linked to timescales. These would crystallise in future years, causing excess expenditure during this period.
- 3.8 During 2023/24, a decision was made to implement a variety of measures to resolve the issues including new, experienced management and claims management, surveying, and administration posts in a dedicated Disrepair Team. A procurement exercise to mobilise a suitable supply chain to cope with existing and future demand and an evaluation of policy and procedures was undertaken, to ensure improvements were made.
- 3.9 In November 2023 the new management arrangements commenced, and an assessment of the operational status led to immediate changes to improve the tracking and management of case progress and assess priorities and risk, which had an immediate stabilising effect on the service and increased confidence.
- 3.10 In December 2023, the internal Housing Improvement Board were presented with the current volumes of caseload and cost, where the proposed changes that would help support the resolution of the disrepair backlog and future caseload were outlined. This included a new operational model and case management system that was supported by the Board.
- 3.11 Arrangements were put in place to significantly increase works output in the latter stages of 2023/24, which resulted in an improvement of case closure performance. This in turn slowed and later arrested the 8+ year trend of open case level increase between 2017 and 2023/24.
- 3.12 The following Legislation covers disrepair cases:
- Landlord and Tenant Act 1985
 - Occupiers Liability Act 1957
 - Defective Premises Act 1972
 - Occupiers Liability Act 1984
 - Environmental Protection Act 1990
 - Housing Act 2004

- Equality Act 2010
- Homes (Fitness for Human Habitation) Act 2018
- Social Housing (Regulation) Act 2023
- Hazards in Social Housing (Prescribed Requirements) (England) Regulations 2025

4. Summary of Outcomes

4.1 The new approach resulted in a cessation of increasing open case levels and achieved a small reduction in the volume of open cases during 2024/25. Consistent net reduction trends solidified during 2025/26, reaching 815 open cases in January 2026 which is a reduction from the June 2024 peak of 30% (1,137).

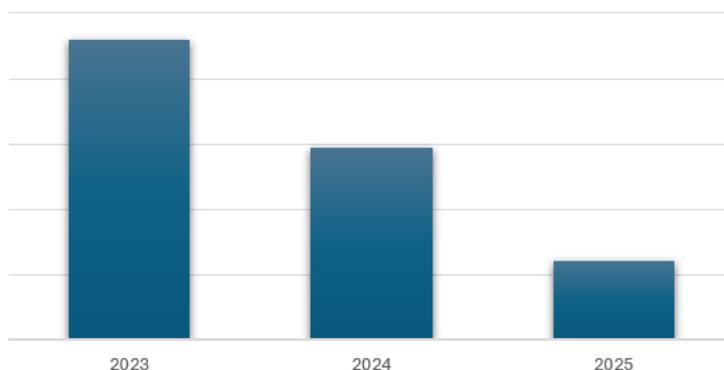
Open case Level at Financial Year End



4.2 During the 2024/25 period we also increased the capacity of the In-House Legal Team, utilising operational practices brought in by the new management team. This enabled departments to work collaboratively to implement a new operating protocol where new cases were assigned internally in addition to insourcing cases back from our external providers, reducing the need and cost of external solicitors.

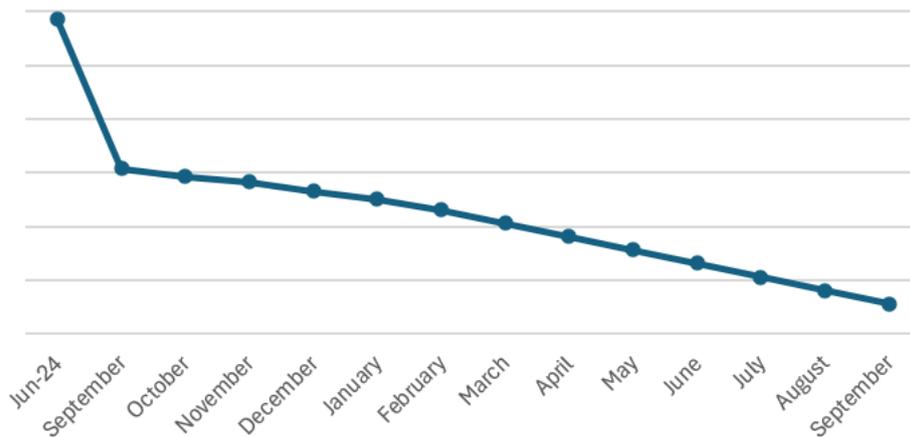
4.3 Throughout 24/25, use of external solicitors was decreased further as more cases were closed, with the assignment of new cases and reassignment of previously outsourced cases to the In-House Legal Team. This further reduced expenditure on the external legal representation by 74% from the peak in 2023/24, since the initiation of the new approach.

External Solicitors - Disbursements



- 4.4 A procurement exercise to appoint 4 new contractors at the end of quarter 3 of 24/25 increased works completion rates, compared to the previous delivery volumes through the two original contractors.
- 4.5 In Q4 of 2024/25, a further procedural upgrade was implemented, which would allow the Disrepair Team to handle Pre-Action Disrepair claims directly, without the involvement of external solicitors or the In-House Legal Team. This achieves a further cost saving measure as the salary model is a cheaper alternative than a legal services billing model. As the vast majority of cases are Pre-Action claims, there is a significant ongoing benefit as we are paying less for the same function. In addition, this also reserves the capacity of the In-House Legal Team for litigated and criminal procedural cases.
- 4.6 In summary these measures achieved two of the most important objectives which were to significantly increase works output, and more effectively manage legal claims, meaning open case levels have reduced by 30% from the peak demand in June 2024, where cases totalled at 1,137. We estimate that we will start the 2026/27 financial year with approximately 740 cases, which would mean 30% fewer cases than this year. We believe the maximum extent of potential case reduction from the original peak demand will be around 50%-60% and expect to achieve this goal during the next financial year, based on current levels of demand, delivery and funding.

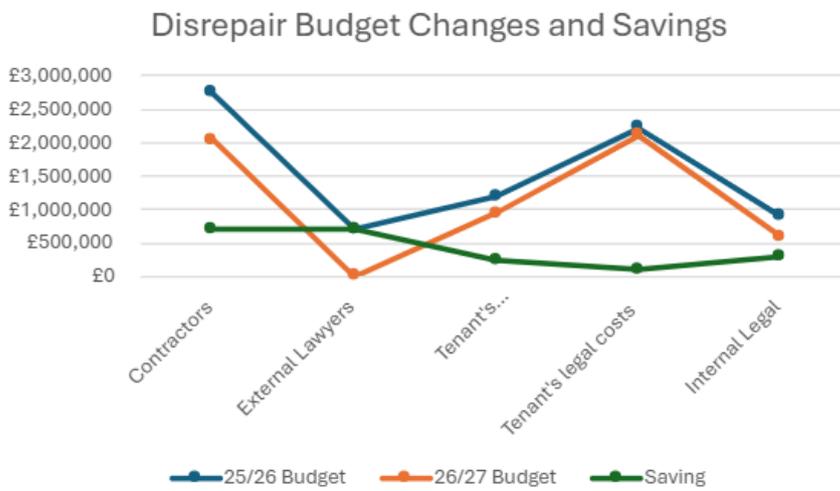
Open Case Level Trajectory



- 4.7 We assume, based on the data, that disrepair claims will continue to be received at a similar rate unless or until the government reforms the sector, specifically reducing incentives for volume-based litigation firms. There are current proposals to introduce fixed costs for disrepair claims, however they have been delayed from implementation several times. This is despite an explicit statement by the current Government that it would meaningfully intervene.
- 4.8 Achieving this realistic, business as usual scenario in terms of open case levels, in conjunction with effectively dealing with and closing claims when they

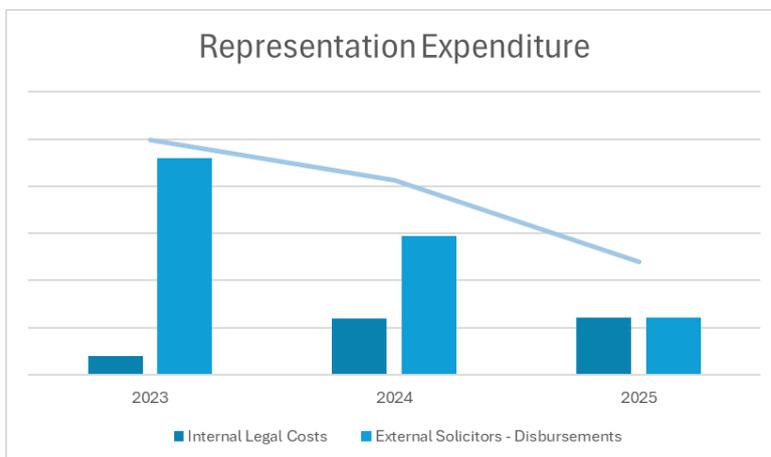
are received, are the means by which financial pressures associated with Disrepair will be eased.

4.9 Disrepair needs to deliver a saving of £2m for the 2026/27 budget, which is being delivered by reducing the additional funding received over the last two years, reducing from £6m in addition to the baseline to £4m. This will be achieved by cutting revenue expenditure for contractors by £700k which is supported by this year's expenditure, taking capital income into account, and the lower open case levels. The external lawyers' fees will be reduced to £0 and tenants' legal costs will be reduced by £109,578 against what was budgeted for this year. This is set out in the below graph:

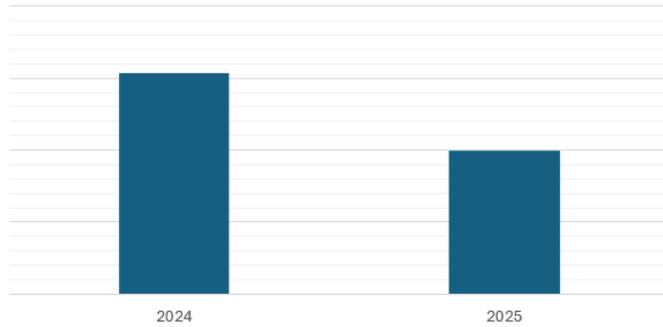


4.10 Whilst we anticipate the improvements to have a longer-term positive impact on associated cost to the Council, there will be a lag in reduction of expenditure due to the mechanics of expenditure in this area.

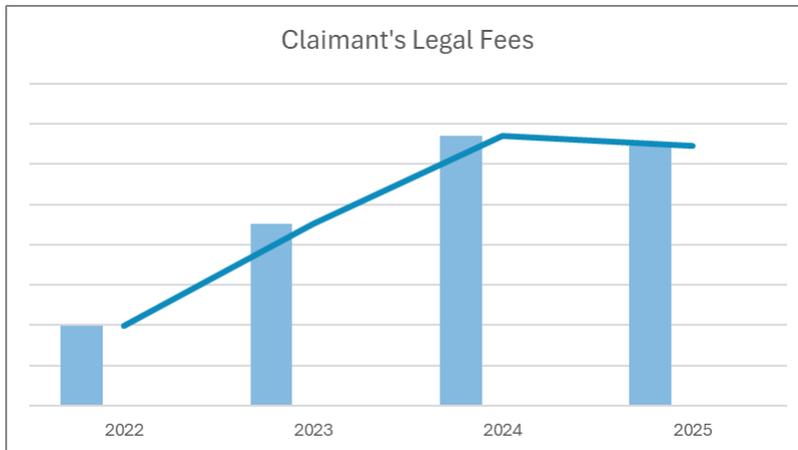
4.11 However, we have already achieved significant savings in two of the four most important areas, which are the costs of our own legal representation, which is down by 52% and compensation down by 35% from their respective peaks in 2024/25.



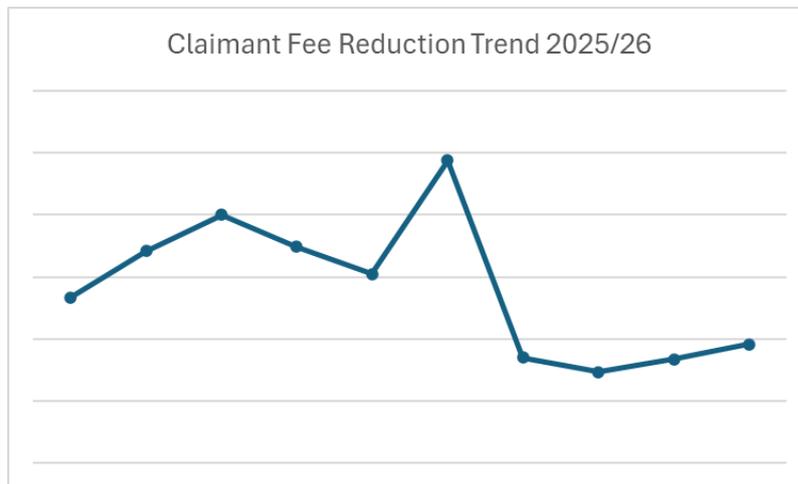
Compensation Expenditure



- 4.12 Challenges remain around external legal costs, which are the legal costs payable to the claimant's solicitors. This has reduced by 4% from the peak in 2024/25, however this reduction comes after an increase of 49% in 2024, preceded by an increase of 127% in 2023. This should be interpreted as a stabilisation of costs, leading to a future reduction.



- 4.13 The volume of historic cases and increases in cases due to current incentives for legal firms has been the key driver of costs over the last 2 years, as built-up unrealised liabilities going back several years were crystallised and discharged. As case levels reduce, this expenditure will reduce, however it should be noted that these costs could remain to be substantial in the medium term, with a best-case scenario of around 40% reduction from peak spending in 2024/25.
- 4.14 The positive message surrounding this issue is that we have begun to see a significant reduction in these costs over the last consecutive 4 reporting periods, equating to an average reduction exceeding 30%, which are the lowest since Q1 of 2023/24. This has followed the operational result of having absorbed the pressure of a substantial number of historic claims and reduced breach and litigation costs through improvements in our operational performance. Should the trend remain on course, we anticipate further but moderate reductions in external legal costs over the next 12 months.



- 4.15 Although repair costs have increased significantly over the last 3 years, this is a positive reflection of increased works completion rates. Prior deficiencies in this area were a direct cause of increased case levels and expenditure between 2017 and 2024. This has directly supported increased case closures and reduced legal costs and open case levels. Furthermore, an increase in works output has resulted in a significantly higher level of legal compliance with Court Orders and settlement agreements, which again reduces claimants' legal fees.
- 4.16 This also means that significantly more money is being invested into the housing stock which would otherwise have been paid out in legal costs and compensation across future years. Accordingly, this increase is deemed as necessary expenditure to comply with the law and represents a substantial financial efficiency and increased value for money.
- 4.17 There is also an important element of capital expenditure, which has increased spending through this budget. This has highlighted the challenges of resolving disrepair claims in an environment where the defects affecting our properties often require complex works, involving substantial refurbishment and upgrades to effectively resolve. The requirement for reactive, fast paced and comprehensive refurbishment works will remain a factor for the Disrepair Team in the short to medium term, but the ability to deliver these works at scale in the context of disrepair claims has been an operational strength and a key development. It is anticipated that the forthcoming major works programme and associated investment in the housing stock in line with the Asset Management Strategy will reduce the number of disrepair claims over the longer term, although we are not at this point able to quantify the potential beneficial impact at this time.
- 4.18 The Disrepair Team has recently undergone an external audit, of which the draft report indicates an adequate level of assurance regarding our approach to managing disrepair cases. The draft report identified zero high priority recommendations, with only 2 medium priority recommendations and 2 low priority recommendations, all of which have since been completed. This demonstrates that there are no immediate concerns of note to report.

4.19 The report also contains 4 advisory measures, 3 of which were already part of existing future improvement plans for implementation. The auditors agreed following discussions during the audit field work that these plans should be formalised in the audit report as advisory recommendations.

5. Next Steps

5.1 The main medium priority recommendation from the audit is to consider the implementation of a case management system. Significant progress had already been made on this in 2024/25, having concluded the initial design phase. We are working with the Digital service to establish a firm delivery project plan and completion timescales.

5.2 In December 2025, Cabinet approved a new procurement exercise to solidify the existing works practices by implementing new, longer-term contracts for repairs delivery in connection with disrepair claims. The resulting contract awards will improve long term management, delivery timescales by increasing the financial envelope of our contracts, as opposed to relying on shorter term, smaller value arrangements. This exercise is expected to conclude in Q1 of 2026/27.

5.3 Projections for reduced costs and increased completions outlined above rely on sustained levels of investment in major works, responsive repairs and case work repairs, as well as support to maintain the funding of the Disrepair team and supply chain, and to implement the digital case management system. Removal or reductions in any of these critical factors at this time could reverse the current positive trends in reducing case load and costs.

6. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

Not required.

7. Procurement

Not required.

8. Head of Legal & Governance

Not required.

9. Equality

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act.

- Advance equality of opportunity between people who share those protected characteristics and people who do not.
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.

10. Use of Appendices - none

11. Background papers - none