

7 January 2015		ITEM: 7
Housing Overview and Scrutiny Committee		
Recharging Tenants Audit - Update		
Wards and communities affected: All	Key Decision: Non-Key	
Report of: Councillor Lynn Worrall – Portfolio Holder for Housing		
Accountable Head of Service: Kathryn Adedeji, Head of Housing – Investment and Development		
Accountable Director: Barbara Brownlee, Director of Housing		
This report is: Public		

Executive Summary

This report provides an update response to the Re-Charging Tenants internal Audit Report of February 2013. This update has been developed in order to provide key stakeholders with the status of tenant recharging, including the development of associated policy, and implementation of processes and governance. The audit report found a number of deficiencies, which are detailed in section 2.3 and Appendix A.

Since the last audit update in February 2013, the service has completed the procurement of a new Repairs and Maintenance contract and revised the Councils repairs policy. It was noted in the February 13 update, the procurement of the new Repairs and Maintenance contracts and new repairs policy would allow the Council to deliver a more holistic approach to managing repairs recharges. This report therefore details developments in recharging tenants in two broad areas:

- A revised recharge policy: has been developed in line with wider consultation and development of the housing repairs policy, ensuring the alignment of each policy, allowing key stakeholders to shape policy for the forthcoming five year Repairs & Maintenance contract to commence January 2015;
- Governance & processes implementation: in line with the implementation of the new Repair and Maintenance contract with Mears due to start in January 2015, there have been various improvements in governance and processes corresponding to issues highlighted in the audit report. Table 1 provides some detailed information on the implementation of the recommendations.

1. Recommendation(s)

1.1 To note the contents of the report.

2. Introductions and Background

2.1 The audit report covers a period at which a number of changes were being implemented with regard repairs and maintenance service delivery. Audit fieldwork was undertaken in a period where Morrison's Repairs & Maintenance contract was still in place, immediately prior to the cancellation of the contract in December 2012. The appointment of Mears in February 2013, replacing a terminated Morrison contract, sets the general context. Audit fieldwork was undertaken in the final period of the Morrison contract and published in November 2012.

2.2 The scope of the review covered:

- The roles and responsibilities for raising recharges, administration and debt collection.
- The financial processing of recharges

2.3 The audit report of January 2013 identified the following key issues: **Formal procedure:**

- Clear guidance should be provided to all relevant members of the Housing Directorate. The policy needs to be periodically reviewed.
- A system must be set up to ensure the Head of Corporate Finance is notified of any amendments to the 'rechargeable works' policy. This should be implemented via regular meetings between the Management Accountant and the Housing directorate.

2.4 **Recharge policy standards communication and compliance:**

- All income must be presented for payment where charges can be justified. This will enable managers to maximise the amount to be recharged and offset against costs.
- Rechargeable repairs need to be passed to the appropriate Manager/Technical Officer for processing promptly. This will enable the Authority to realise the relevant income achievable in a timely manner, against the budget set for recharges. A greater portion of the costs will be met by the income collected.
- The policy in place to recharge tenants for damage caused to properties needs to be refreshed and rolled out. The policy could be implemented as an integral part of the transformation review within Housing in relation to the Morrison contract. This will provide a holistic approach to works orders raised and encourage a more accurate and timely process for recharging tenants.
- A refresh of the contractual process; with regards to the identification and reporting of recharges is required. A clear process will enable

operatives to identify report and collect evidence of potential recharges that may be missed by the Client.

- Although the process for raising debts is clearly identified in the recharge policy, a working group is required to enable debtors to liaise with Housing staff in relation to recharges. This will create a clear channel of communication between Housing and Debtors and the income received can be monitored and reported regularly.
- Roles and responsibilities must be clearly outlined and explained, in order to achieve an effective service.

2.5 The Standard and Audit Committee report update provided by the service in February 2013, detailed two key actions that were taken by the Housing team to address some of the key gaps identified in the audit report. These were:

- The first action was to put in place procedure which embedded transparent invoice management, identifying and recovering funds from tenants for rechargeable works. This improvement consequently reduced the financial risk to the Council cited by the audit report published in November 2012.
- The second action was to ensure procedures for recovering income was understood by staff.

2.6 In addition to the improvements detailed above, the Housing team implemented a regime of periodic checks of the exiting processes and financial performance through established governance meetings with partners across the Council including the debt recovery team. This ensured process and procedures are being adhered to but also allows for early identification of issues.

2.7 Since the audit report was published, key developments in these areas can be demonstrated in the ability of the wider service to be able to raise and recover tenant recharge debts – not previously achieved in the period prior to audit. In February 2013, the Council had raised 83K worth of rechargeable works and generated an income of 4.2K. Since April 2013, the Council has raised £116k of rechargeable works and collected £28k.

2.8 Table 1 demonstrates that in the period since the last audit report was produced the Council has been more successful at identifying rechargeable works and ensuring that these debts are collected from tenants. This has been achieved through clearly defining responsibilities between the tenant and Council while also strengthening the contractors' regime for collecting evidence for disrepair claims. In addition to this, the Council's new recharge procedure involves the Council not incurring the costs in the first instance through ensuring that residents particularly around transfer and termination effectively discharge their obligations for appropriate maintenance of their home.

Table 1: Value of rechargeable and % collected April 13 to Dec 14

Period	Value of Rechargeable Works Raised	Value Collected	% Collected
Pre April 2013	£83,000	£4,000	4.8%
April 2013 - Dec 14	£116,046	£27,992	24.1%

3. Issues, Options and Analysis of Options

3.1 Improvements in Recharging

3.2 Since the services last update in February 13, the Housing team has undertaken the procurement of the Councils new Repairs and Maintenance contract and has undertaken a review of its Repairs policy in consultation with residents and stakeholder. These have been formally reported to Cabinet for notification and decision in December 2014 and are included on this agenda for Members information.

3.3 The Housing team has undertaken a assessment of the gaps identified in the audit reports in order to establish provisions within both the new repairs contract and repairs policy to strengthen the Councils management of recharges and to ensure that it maximises opportunities to recover income. In brief, this is essentially achieved by strengthening the Councils contractual arrangements with the news Repairs and Maintenance contractor to gather evidence of rechargeable works and process this information more efficiently; while the Councils new repairs policy clearly defined the responsibilities of the tenant in respect to damages caused by tenants or visitors to the property.

3.4 The Housing teams response to the audit in February 13 detailed a number of policy changes and contractual arrangements that would strengthen the Councils process of managing recharges while clearly defining the responsibilities between the tenant and the Council. This is further detailed in section 3.5 to 3.11 and further provisions are detailed in table 1.

3.6 Policy Improvements – Transfer Refusals and Tenancy agreements

3.7 It is very important to note that part of the new recharge procedure involves the Council not incurring the costs in the first instance through ensuring that residents particularly around transfer and termination effectively discharge their obligations for appropriate maintenance of their home. This is realized by transfer refusals until the tenant remedies defects not caused by wear and tear as applicable.

3.8 In addition to this, a range of other mechanisms has been introduced to minimise the need to recharge and provide more powerful mechanisms where willful or reckless damage occurs. This has been achieved by making more explicit tenancy obligations in the new tenancies recently introduced as well as provide for mechanism not to demote a tenancy as a result of damage or where a tenant starts on an introductory tenancy non wear and tear damage if

one of the considerations that will be assessed before a long term tenancy is offered.

3.9 The Legal Basis for Recharging Tenants

3.10 Through the new repairs policy and in conjunctions with delivering a new Repairs and Maintenance contract, the Council has taken a both holistic and strategic approach which strengthens the Council's relationship with its residents – both in terms of a principle of improving provision for those most in need, as well as better defining the shared responsibilities for maintenance of residents properties.

3.11 Although the Council is keen to promote the principle of shared responsibility, it recognises from experience that homes will inevitably come under wilful damage by tenants and their visitors. The new repairs contract has been therefore developed in parallel with the new repairs policy to ensure that Council has a well-defined legal basis and process for managing recharges. This is clearly defined for the new Repairs contract in the specification of services and new measures will form an integral part of the mobilisation of the new contract in January 2015.

3.12 The legal basis for recharging tenants where repairs are a result to their behavior (i.e. non-reasonable wear and tear) or that of other household members or visitors is laid out clearly in the new tenancy agreement and set out in the new Repairs Policy. The tenancy agreement, was effective from March 2014, details tenants responsibilities in a number of separate areas, examples include:

- An obligation to promptly repair damaged caused to the property, including to installations, fixtures and fittings, or in communal areas. There is a requirement to reimburse the council reasonable costs in instances where there has been a failure to carry out such repair work.
- The levy of a discretionary charge on the tenant where there has been damaged caused as a result of an unreported burglary or attempted burglary.
- A responsibility to maintain their garden so as to ensure that it does not become overgrown, cluttered or to cause nuisance. If there is no good reason as to why they cannot fulfill this responsibility, the council may clear the garden and apply a recharge to recover reasonable costs.
- A requirement to obtain permission before making changes to the interiors of properties and gardens including the erection of fences, walls and other garden structures. The cost to return the property or garden to its original state may result in a recharge.
- An obligation to take reasonable steps to avoid doing anything that encourages infestation. A failure to do so may result in a recharge for de- infestation treatment.

3.13 New Repairs and maintenance Contract – Pricing Model Incentives for contractor to proactively address repairs

3.14 The new repairs contract offers a holistic opportunity to improve our ability to recharge and cover monies as appropriate. Housing Services are ensuring that revised repairs policy, governance and procedures form part of the requirements for a new Repairs & Maintenance contract in January 2015. In addition to this, the pricing model for the new contract – price per property - has an inbuilt disincentive for the service provider carry out non wear and tear repairs, but an inbuilt incentive to proactively address repairs where possible. The new contract has also a number of performance indicators in place to ensure that this area of service is delivered to the Councils requirements. These include:

- The number of repairs due to willful damage and negligence
- Average cost of willful damage and repairs
- Percentage of willful damage and negligence repairs correctly evidenced and logged for the purpose of recharging

4. Reasons for Recommendation

4.1 To provide an update to Members on the Council's recharging performance.

5. Consultation (including Overview and Scrutiny, if applicable)

5.1 Not Applicable.

6. Impact on corporate policies, priorities, performance and community impact

6.1 None

7. Implications

7.1 Financial

Implications verified by: **Mike Jones**
Management Accountant

The financial implications are contained within the report which is for noting

7.2 Legal

Implications verified by: **Alison Stuart**
Principal Solicitor

The legal implications are contained within the report which is for noting.

7.3 **Diversity and Equality**

Implications verified by: **Rebecca Price**
Community Development Officer

There are no direct diversity and equality implications following from this progress update

7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

None

8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

9. **Appendices to the report**

- Appendix A

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