

2 April 2014		ITEM: 8
Housing Overview and Scrutiny Committee		
12/13 – Re-Charging Tenants Audit		
Report of: Councillor Val Morris-Cook, Portfolio-Holder for Housing		
Wards and communities affected: All	Key Decision: Non – Key	
Accountable Head of Service: Kathryn Adedeji – Head of Housing – Investment and Development		
Accountable Director: Barbara Brownlee – Director of Housing		
This report is Public		
Purpose of Report: To provide an overview of the background to 12/13 Re-Charging Tenants Audit, together with an update on the actions undertaken since this audit.		

EXECUTIVE SUMMARY

This report provides an update response to the Re-Charging Tenants internal Audit Report of January 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.

This report was considered by Standards and Audit Committee in February 2014 where the progress detailed in the report was commended and a decision was made for a referral to Housing O&S for review and consideration of further updates. In February when the report was first presented the Council had generated an income of 4.2K, this has since risen to 10K with a further circa £7.5K subject to an agreed payment plan. This is against rechargeable works of 90K.

The continued recovery of debt associated with rechargeable works is a demonstration that the new recharge process which took into account a number of the deficiencies identified in the audit report was implemented in April 13 is having the desired effect. One key element of the procedure involves transparent invoice management, identifying and recovering funds from tenants for rechargeable works. This has consequently reduced the financial risk to the Council cited by the audit report published in November 2012 This mechanism for recovering income is underpinned by procedures put in place by the service and understood by staff. The service undertakes periodic checks of the exiting processes and financial performance through established governance meetings with partners across the

Council including the debt recovery team. The procurement of the new Repairs and Maintenance contract provides the service with the opportunity to continue to strengthen its existing processes with the future contractor through partnership working. In addition to this the Housing department has strengthened its procedures around transfers and broader tenancy management to ensure that tenants responsible effectively discharge their obligations for appropriate maintenance of their home in the first instance.

1. RECOMMENDATIONS:

1.1. To note the contents of the report.

2. INTRODUCTION 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 is firstly raised on the Saffron housing system and sundry debtors logged on Oracle financials. The service is heavily reliant on these systems in managing recharges and interfacing with the Repairs and Maintenance Contractor. In awarding an interim contract to Mears Ltd the service has put in place a number of improvements which ensure more effective management of tenant recharging; however there remain some gaps and areas for improvement. And addressing these will form an important component in the mobilisation plan of the new contract in April 2014. As the appointment of a new contractor for Repairs & Maintenance service provision has inherent requirements for process implementation and governance considerations.

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.

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.

Improvements in Recharging - Implementation of recommendations

- 2.4. Since the audit report 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.
- 2.5. 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 realised by transfer refusals until the tenant remedies defects not caused by wear and tear as applicable. By the repairs contractor not undertaking the works where it can be determined the repair is not as a result of wear and tear as applicable. The pricing model – price per property used with the current interim contract 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.
- 2.6. In addition to this the range of other mechanisms has been introduced to minimise the need to recharge and provide more powerful mechanisms where wilful 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.

- 2.7. The legal basis for recharging tenants where repairs are a result to their behaviour (i.e. non-reasonable wear and tear) or that of other household members or visitors is laid out clearly in the new tenancy agreement. The agreement, 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 fulfil 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.
- 2.8. Finally the procurement of a new repairs contract offers both risk and opportunities to improve our ability to recharge and cover monies as appropriate. The risks of entering a new contractual framework which does not embed the changes made to date has been mitigated by Housing Services are ensuring that revised policy, governance and procedures form part of the requirements for a new Repairs & Maintenance contract in April 2014.
- 2.9. This report details developments in recharging tenants in two broad areas:
- A revised recharge policy: is being developed in line with wider consultation and development of the housing repairs policy, this ensures the alignment of each policy, allowing key stakeholders to shape policy for the forthcoming five year Repairs & Maintenance contract to commence July 2014;
 - Governance & processes implementation: in line with the implementation of the interim contract with Mears, there have been various improvements in governance and processes corresponding to issues highlighted in the audit report. The table

below provides some detailed information on the implementation of the recommendations.

Service Area	Formal Procedure:	Formal Procedure:
Audit Recommendation	1.1	1.2
Audit Comment	Clear guidance should be provided to all the 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.
Status	Implemented	Implemented
Management Comment	<p>Clear guidance on recharge procedure was implemented along with the procedure in April 2013.</p> <p>New contractual framework – Post April 2014</p> <p>The service is currently undertaking public consultation on wholesale revision of existing recharge policy and as part of a wider review of responsive repairs service and contract award which is due to be completed in April 14. The outcomes of the consultation will allow the service to refine/confirm</p>	The meeting now forms part of the services formal governance meeting structure. Regular monthly meetings take place with minuted actions that are strictly monitored. Future policy changes will be formally circulated to Management Accountant prior to the meeting for review and implications formally discussed and recorded in the meeting. Associated risks or issues raised will form part of the service risk register.

Service Area	Recharge policy standards communication and compliance:	Recharge policy standards communication and compliance:
Audit Recommendation	2.1	2.2
Audit Comment	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.
Status	Implemented	Implemented
Management Comment	<p>Following the transfer of responsibilities for recharging tenants in 2013, Housing Investment & Development have undertaken to develop and embed procedures for the effective management of this area of service provision. In order to effectively undertake tenant recharging, and maximise associated income, the procedure identified necessary evidence required for successful recharge, roles and responsibilities for delivery partners, and forms and frequency of communications with residents regarding recharge. Saffron Housing Management systems provide the contractor the ability to identify tenant recharge cases.</p> <p>Using this process, Housing Investment & Development coordinate with debt management services in order to manage tenant recharging. Processes developed and embedded have allowed debt management to raise and recover tenant recharges: for 2013-14, to date £83k has been raised, with £4.2k being recovered from tenants. This is in contrast to previous procedures under which debt had not been raised. Although the total income recovered to date is disproportionate to the charges outstanding, the service is in a much better position to actively recover money going forward and anticipates the rate of recovery to improve over the next 6 to 12 months.</p> <p>The process and systems established provide a basis for the further development in line with procurement of future Repairs & Maintenance contractor, as well as for future ICT systems.</p>	<p>Changes to the procedure means that this recommendation is no longer strictly applicable. Responsibility for charging sits in a centralised team across Housing which includes technical colleagues this is supported by a cross directorate meeting which takes place at least every fortnight and this team which includes key Housing management managers have put in place appropriate procedures to allow recharge management and recovery. Using these procedures, tenant recharge debt has begun to be raised and recovered, and this will be further developed and enhanced in order to improve performance in this area.</p> <p>New contractual framework – Post April 2014</p> <p>This and other points of learning will form an integral part of strengthening the processing and setting out authorisation levels for recharge claims as the service moves through the steps of procuring a new Repairs & Maintenance contract. The service fully appreciates the importance of timely processing and authorisation of recharge claims in order to maximise its income potential in this area. The service will use the procurement exercise further strengthen procedures within a new contractual framework.</p> <p>A revised roles and responsibilities matrix clearly setting out authorisation levels and timescales for processing claims will help to define interactions between the service and the contractor for the contract duration period.</p>

Service Area	Implementing recharge policy in client-contractor interfaces	Procedure for recharge identification and processing
Audit Recommendation	2.3	2.4
Audit Comment	The policy in place to recharge tenants for the 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 charges are required. A clear process will enable operatives to identify report and collect evidence of potential recharges that may be missed by the client.
Status	Implemented	Implemented
Management Comment	<p>A significant amount of work has been done around the void process and transfers where the bulk of recharging is identified. The new process involves detailed assessment prior to termination or transfer of a tenancy; this includes photographic evidence of the condition of the home plus an agreement with the resident that elements of identified works would be rechargeable (as applicable). This new process is evidenced by the 83K that has been raised year to date. In addition it is important to note that the new process means that a number of rechargeable repairs are avoided as in a number of instances tenants are declined a transfer until they have undertaken remedial works where it is determined the damage is not as a result of wear and tear. The housing management team have ensured that all housing officers are trained on this element and have also altered transfer inspection/completion forms to ensure the considerations are</p> <p>New contractual framework – Post April 2014</p> <p>Procurement of the 2014-2019 Repairs & Maintenance contract will incorporate this fundamental system interfacing and processing as a requirement for contractors. Taking forward learning from experience in current and previous contractual frameworks, implementing appropriate ICT systems is key to providing improved performance in the management of recharging tenants.</p>	<p>In the course of implementing an interim contract for Repairs & Maintenance provision, assessment has been made of the systemic interfacing required for service provision, as well as the associated roles and responsibilities across delivery partners. This exercise underlies the definition of clear procedures for the provision of Repairs & Maintenance services, and the mapping of these procedures for clear guidance for staff and operatives.</p> <p>New contractual framework – Post April 2014</p> <p>This assessment and mapping for recharge procedures provides a sound basis for the future implementation in the five-year Repairs & Maintenance contract. Mapping ensures advance identification of roles and responsibilities for delivery partners, underlying improved performance in recharging tenants.</p>

Service Area	Improved governance and communication across client services	Improved governance and communication across client services
Audit Recommendation	2.5	2.6
Audit Comment	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 charges. This will create a clear channel for communication between the Housing and Debtors and the income can be monitored and reported regularly.	Roles and Responsibilities must be clearly outlined and explained, in order to achieve effective service.
Status	Implemented	Implemented
Management Comment	Mapping and identifying roles and responsibilities, defining process implementation for tenant recharges, provides a basis for improved performance. Accompanying this mapping is the definition of governance, and associated frequency and scope of meetings between services involved. Consequently meetings between Housing and Debt Management Services are now part of this on-going governance. This ensures the improved process definition is supported by coordinated working between staff with tenant recharging responsibilities.	Underlying effective and improved service provision is the clear definition and communication of roles and responsibilities for delivery partners. As noted above, an exercise has been undertaken for the assessment and mapping of procedures for implementing effective tenant recharging. Similarly as noted, this process has been undertaken with regard the interim Mears contract, with learning and documentation being taken forward to the implementation of the forthcoming five-year Repairs & Maintenance contract.

3. ISSUES, OPTIONS AND ANALYSIS OF OPTIONS:

- 3.1. The service recognises the level of operational changes that are currently underway in Housing provides a window of opportunity to build on the recent service improvements in order to develop a more joined-up service. The procurement and mobilisation of the new Repairs and Maintenance contract will introduce changes to the ways of working for both parties. It is the intent of the service to take a systematic and structured approach to delivering the changes while not losing sight of the fact that income not recovered from a tenants after a period of time is written off. The service will take steps through the contract mobilisation plan not to lose the momentum and progress the service has made over the last year to put in place improvements to recover income.
- 3.2. It should be noted that as part of the mobilisation of the new Repairs and Maintenance contract, the service will be particularly focused around challenges to ensure that the capture and management and financial reconciliation of recharge data and authorisation process is robust.
- 3.3. Improvements in this area will be largely be shaped by the preferred solution for managing the IT interface with the future Repairs and Maintenance Contract in July 2014. The service will explore the best options as part of the procurement exercise that is currently underway.
- 3.4. The below table details the stages and high level timeframe for the further development of tenant recharge:

Period	High Level Component	Tenant Recharge
February 2013	Interim Repairs & Maintenance Contract	Appropriate governance and processes developed & implemented
July 2013 – March 2014	Repairs Policy Consultation	Tenant recharge policy will be aligned to Repairs Policy
January-March 2014	5 Year Repairs & Maintenance Contract – procurement	Processes & governance to form part of contractor term brief; Consideration of ICT Systems interfacing between Client & Contractor
June-July 2014	5 Year Repairs & Maintenance Contract – mobilisation	Process & governance to be form part of mobilisation of contractor & staff; ICT Systems interfacing between Client & Contractor

2015	ICT Systems Procurement	Processes to form part of system specification requirements; Opportunity to revisit ICT interfacing between Client & Contractor
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4. REASONS FOR RECOMMENDATION:

4.1. This report is for information only there are no recommendations attached.

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

5.1. Not applicable.

6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

6.1. N/A

7. IMPLICATIONS

7.1. Financial

Implications verified by: **Mike Jones**
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As part of the 2013/14 budget setting process for the HRA, the re-chargeable works income budget was removed, which meant that the bad debt provision budget could also be reduced. Overall this had a small financial consequence to the HRA.

By introducing the measures detailed in the report, and addressing the issues raised in the audit report, this should allow the HRA to recover the cost of works that fall within the criteria, and will have a financial benefit.

7.2. Legal

This report provides an update on the Recharging Tenants Audit and the development of governance, policy and process implementation. Although no legal implications arise from this report it is necessary to ensure effective implementation of the new recharging process to mitigate the financial risk as identified by the audit report.

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7.3. Diversity and Equality

Implications verified by: **Teresa Evans**
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No diversity implications.

8. BACKGROUND PAPERS USED IN PREPARING THIS REPORT (include their location and identify whether any are exempt or protected by copyright):

- No Background papers were used in the formulation of this report

APPENDICES TO THIS REPORT:

- Appendix One – Re-Charging Tenants Internal Audit Report

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