



Observation	Recommendation	Priority	Management Response
<p>Basis of Charging</p> <p>In 2005/06 the Council changed the basis of charging. This coincided with the application of a separate service charge for aerial access to tenants for the first time. At this time, the Council calculated a weekly charge based on the costs incurred in providing this service. This charge has subsequently been increased each year by RPI +0.5% to match the policy for tenants. It has not been possible to confirm the validity of the original calculation of the 2005/06 service charge as the supporting records were not all retained, although it is clear that the amounts recovered from tenants and leaseholders annually are lower than the amounts paid to the provider.</p>	<p>We recommend that the Council reviews the calculation of the service charge to ensure that it remains appropriate and reflects the costs incurred in the provision of the service.</p>	<p>High</p>	<p>A complete review of all service charges has begun, and in the first year the following charges have been reviewed and set: for the year 2011/12:</p> <ul style="list-style-type: none"> CCTV (fixed) CCTV (mobile) Caretakers Neighbourhood wardens Internal block cleaning Bulk refuse <p>A strategy to move to a full cost recovery of these charges has been established. The remaining charges will be reviewed in 2011/12. These are</p> <ul style="list-style-type: none"> Heating and hot water Grounds maintenance Sheltered block cleaning TV aerial access <p>These charges will be re-set in March 2012 and will be in line with the strategy agreed to move towards full cost recovery.</p>



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<p>Higher annual charges for leaseholders</p> <p>We have identified that the Council charges tenants for 48 weeks, while leaseholders are charged for 52 weeks service. In our view the rationale for the decision and the basis of its application should have been documented at the point at which it was exercised.</p> <p>As the decision was not documented, we cannot identify whether there was an intention to charge a higher yearly charge to leaseholders. Our understanding from explanations provided from officers is that the intention was to apply the same basis of charge for tenants to leaseholders and therefore we would have expected that the charging process would ensure that charges to leaseholders are the same as those charged to tenants, unless a difference in service provision exists.</p>	<p>We recommend that the Council reviews the rationale for different annual charges to tenants and leaseholders</p>	<p>High</p>	<p>The Service charge review has been completed for the first tranche of service charges, and have been set in line with the views of tenants, following extensive consultation.</p> <p>The rationale for charging leaseholders is based on the level of service that they receive. This will vary from leaseholder to leaseholder, depending on the location of their block. For example, the cost of the neighbourhood warden service is apportioned in relation to the time spent at each estate or block, which has been fully time recorded.</p>
<p>Errors in charging</p> <p>We have also noted that in both 2007/08 (actual service charges) and 2009/10 (estimate of service charges for the year) Mr Macdonald has not been charged for TV Aerial access. We understand from the Home Ownership Manager that this was as a result of error.</p>	<p>We recommend that a detailed review of the cause of these errors should be carried out including the extent to which such errors may have occurred in respect of other leaseholders' service charges to ensure that the correct charges are being applied to all leaseholders.</p>	<p>High</p>	<p>A full review of all tenants not paying each service charge was undertaken. Homes in Havering then reviewed each tenant not paying a particular service charge, and concluded whether this charge had been appropriately not charged. For example, where a tenant was not charged for grounds maintenance, the appropriate Homes in Havering officer reviewed whether there was any grounds currently being maintained which could be properly assigned to the tenants block. If not, then clearly the charge had been appropriately not charged.</p> <p>Tenants and leaseholders not charged for TV satellite and aerial connections will be charged in their service charge bills for 2012/13.</p>



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<p>Documentation of use of delegated powers</p> <p>The Monitoring Officer has advised us that not all use of delegated authority is formally documented within the Council and is not required by the Council's constitution, stating "This is not necessarily unusual in that staff with delegations do record decisions occasionally on a Form C or Form D if they are considered important and put them on file. Other decisions rest purely on the action taken i.e. the fact that the leaseholders here were notified by Housing of the action to be taken." We have confirmed that the Council included details of the estimated charges on leaseholder service charge estimates and final bills each year following the decision and therefore have accepted the Monitoring Officer's view that the decision to make a weekly charge to leaseholders at the same level that applied to tenants was taken by the Head of Housing in 2005 under proper delegated authority in line with the Council's constitution.</p>	<p>We recommend that the Council formally documents all future changes to leaseholder charging arrangements of this nature before implementation.</p>	<p>Medium</p>	<p>This approach has been adopted.</p>
<p>Signed copy of the original contract</p> <p>The Council entered into its contract with the provider in 1992 and it was subsequently extended and amended in 1997 and 2001. We are aware that the Council has not been able to locate the original signed copy of the contract, which raises a risk that the Council may not have a copy of the finally agreed contract which could make any future negotiations more difficult.</p>	<p>We recommend that the Council continues to search for the signed contract and considers what impact the absence of a signed contract will have on its ability to renegotiate or terminate the contract..</p>	<p>High</p>	<p>Sealed copies of the original 1992 contract and the 1997 variation have been located. A poor quality copy of what appears to be a signed version of the 2001 variation, has also been located and it is accepted by Surtees that this is the appropriate document. Legal advice has been taken on the implications of these contractual documents and negotiations are currently underway on the subject of the TV aerial and satellite service</p>



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<p>Numbers of access points</p> <p>Our review of the information provided by the Council in relation to payments to the provider under the contract for 2008/09 highlighted discrepancies between the numbers of access points billed to the Council by Surtees and the number of tenants and leaseholders charged for services by the Council. We have not as part of this investigation attempted to reconcile the two sets of numbers as it appears likely that the discrepancies arise from administrative errors in the contract monitoring arrangements put in place by the Council.</p>	<p>We recommend that the Council completes a full reconciliation of its records with those of the contractor.</p>	<p>High</p>	<p>This is complete and an agreed list of properties where terrestrial and satellite points exists, which is accepted by both parties.</p>
<p>Benchmarking costs</p> <p>The Council has not formally benchmarked the costs of its service relative to those raised by other local authorities. However, it has undertaken a high level review which suggests that the contract is comparatively high cost and may provide poor value for money.</p>	<p>We recommend that the Council conducts a review of the basis and cost of the contract and determine whether there is a basis to renegotiate the contract terms or to terminate the contract and re-procure the services at more favourable rates.</p>	<p>High</p>	<p>Negotiations are underway, and improvements in the value for money of this contract have been achieved. As a result of these negotiations, a saving of 23% has been achieved on the 2010/11 cost. However, there remain some outstanding issues between the parties which remain in dispute.</p>



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<p>Wider contract review</p> <p>In our round table meeting in June to review the issues raised by Mr Macdonald, we discussed what actions the Council had taken to ensure that there are no similar contracts in operation within the Council. The response provided to us from the Director of Community Services on 12th July outlined the steps the Council has taken to satisfy itself on this matter.</p> <p>We consider that, given the extent of the issues identified with the contract with Surtees, the action taken to date is insufficiently thorough to conclude on the risk of similar issues existing in other contracts for service charges.</p>	<p>We recommend that the Council should conduct a risk assessment across its service contracts to identify any contracts which meet an agreed set of criteria. Examples of the type of criteria that could be taken into account would be:</p> <ul style="list-style-type: none"> • Contracts that are more than 3 years old • Contracts with a contract life of more than 10 years • Contracts where the contractor is paid based on management information produced by them • More than £0.5m per annum expenditure • Informal contract management arrangements in place • Contracts covering more than one service area <p>It should also review the contract management arrangements in place for selected contracts to ensure that they are fit for purpose and implement action plan for improvement, where existing arrangements are not fit for purpose.</p>	<p>High</p>	<p>Homes in Havering have a Contracts Register in place, and their review has been completed.</p> <p>A separate Procurement Review has been undertaken by the Finance Department, covering all areas of high spend.</p>