


Non-Executive Report of the: Overview and Scrutiny Committee 4 th January, 2016	
Report of: Aman Dalvi, Corporate Director D&R	Classification: Unrestricted
Update on Audits of Leasehold Services & Charges	

Originating Officer(s)	Jackie Odunoye (Service Head, Strategy, Regeneration & Sustainability)
Wards affected	All wards

Summary

At its meeting on 2nd November 2015, the Overview and Scrutiny Committee requested a further report on the two audits undertaken on the leaseholders and leasehold service charges.

This report details the scope of the two audits and the chronology of actions relating to these audits. Both audit reports are attached as appendices.

Recommendations:

The Overview and Scrutiny Committee is recommended to:

1. Note the completion of two audit reports on the leasehold services provided by Tower Hamlets Homes and the calculation of annual service charges.
2. Agree to receive a further report on the implementation of the recommendations by Tower Hamlets Homes.

1. REASONS FOR THE DECISIONS

- 1.1 The two reports prepared by HQN and Mazaars have been available for some time. They were due to be reported to the Project Steering Group but this has not met since April 2014.
- 1.2 As the PSG is no longer meeting, it is recommended that O&S asks Tower Hamlets Homes to report back on the implementation of the recommendations.

2. ALTERNATIVE OPTIONS

- 2.1 It is important that the recommendations of the two audits are now implemented properly. It is also important that leaseholders are consulted about and informed about the work. It would be possible to reinstate PSG but it had not been well attended prior to 2014.

3. DETAILS OF REPORT

- 3.1 The project steering group was convened following a debate at Full Council in Autumn 2008. Subsequently it commissioned an audit of the Leasehold services provided by Tower Hamlets Homes – now known as the Beevers & Struthers Report(B&S)
- 3.2 The B&S report made 54 recommendations and THH were given the task of implementing these. Progress was monitored by LAPWG which was attended by Leaseholders and officers of THH and by an officer of the Council. This reported progress to the PSG but ultimately the LAPWG could not agree that sufficient progress had been made on implementing the recommendations.
- 3.3 PSG therefore agreed that a follow up review would be undertaken. The scope of that audit is attached at appendix 1. It took some time to procure an agreed audit firm; a chronology is attached at appendix 2. The PSG was concerned that the leaseholder attendees should be content with the chosen company and therefore 3 procurement exercises were undertaken.
- 3.4 The Housing Quality Network (HQN) was appointed to carry out the review; their report is attached at appendix 3.
- 3.5 Subsequently the then administration asked for a second audit to be carried out looking specifically at the calculation methodology for annual service charges. The scope of this audit is attached at appendix 4.
- 3.6 Mazaars were appointed to carry out the work; a chronology is attached at appendix 5. The report is attached at appendix 6.

4. COMMENTS OF THE CHIEF FINANCE OFFICER

- 4.1 Following a request by the Overview and Scrutiny Committee at its meeting on 2nd November 2015, this report provides details of the scope of two audits that were commissioned into leaseholder service charges. The resulting reports by Mazars (June 2014) and the Housing Quality Network (January 2015) are attached as appendices.
- 4.2 The Council's Housing Revenue Account for 2015-16 consists of gross expenditure of approximately £92 million per annum. Of this, approximately £12 million is recovered through leaseholder service charges, the remaining income being mainly generated through rents and service charges levied to tenants.
- 4.3 The leaseholder service charge audit reports recommended a number of actions that should be implemented in respect of service charge determination and billing. It is proposed that a further report on the implementation of the audit report's recommendations is prepared by Tower Hamlets Homes, and submitted to a future meeting of the Overview and Scrutiny Committee. This will include an assessment of any financial implications that may arise.

5. LEGAL COMMENTS

- 5.1 There are no specific legal implications arising from this report.

6. ONE TOWER HAMLETS CONSIDERATIONS

- 6.1 A large proportion of the Council's housing stock is now owned by leaseholders, therefore it is important that the services they receive and the annual service charges levied should be provided in accordance with good practice.

7. BEST VALUE (BV) IMPLICATIONS

- 7.1 Leasehold service charges are an important component of the overall financing of the HRA. They need to be calculated in accordance with accounting principles and best practice and in accordance with the relevant leases.

8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 8.1 There are no specific considerations dealing with the delivery of the 'Sustainability for a Greener Environment' included within the report

9. RISK MANAGEMENT IMPLICATIONS

- 9.1 Implementation of the recommendations of the audit reviews will:

- Reduce the risk that charges are calculated incorrectly

- Improve the effectiveness of the leasehold service and thus reduce the likelihood of leaseholders being dissatisfied with the services they receive

10. CRIME AND DISORDER REDUCTION IMPLICATIONS

10.1 There are no specific crime and disorder reduction implications in the report.

Linked Reports, Appendices and Background Documents

Linked Report

Petition Review – O&S 2nd November, 2015

Appendices

Appendices 1 -6 (See Pack Two)

Officer contact details for documents:

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