

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**HOUSING AND PROPERTY SCRUTINY COMMITTEE****5 NOVEMBER 2015****REPORT BY THE DIRECTOR OF HOUSING AND TOWN CLERK AND
EXECUTIVE DIRECTOR OF FINANCE****MID YEAR REVIEW ON TMO PERFORMANCE AGREEMENT 2015/16**

The purpose of this report is to present details of the Tenant Management Organisation (TMO) performance from April to September 2015 against the Performance Agreement.

FOR INFORMATION**1. Executive Summary**

- 1.1 The performance of the TMO in the first six months of 2015-2016 shows that the Organisation is working towards the outcomes identified in the 2015-16 Performance Agreement, agreed in June this year. Performance on the key performance indicators shows a good performance for operational PIs; relet times, repairs and leasehold collection rates. Issues with the Council's finance system, Agresso is impacting on rent collection rates. Commencement of the capital programme has been delayed awaiting the outcome of the hearing from the Leasehold Valuation Tribunal on the procurement framework. The two audits undertaken to date have been given a satisfactory level of assurance. The TMO has been very busy on a number of workstreams that meet the strategic aims of the Council; continuing to prepare for further welfare reforms and the introduction of Universal Credit, delivering the capital programme using the new procurement framework including seven additional homes and ensuring compliance and delivery of a number of important health and safety issues. There has also been a focus on increasing the commercial income with the implementation of the parking review and taking a proactive approach to asset management with the Council on both disposals and the introduction of intermediate rented housing.

2. Purpose of the Report

- 2.1 The TMO (HRA) Performance Agreement was reported to the Scrutiny Committee on 9 July 2015. This set the performance framework for monitoring the TMO for 2015-16, and is subject to review on a six monthly basis. The Performance Agreement brings together a range of the TMO's housing management activities and the key performance indicators monitored by the Council which measure the levels of achievement. It also updates on the joint work by the TMO and the Council to meet strategic priorities in terms of finance, regulation and asset management as well as the day to day management functions, on-going projects and the other business functions as set out in the TMO's Business Plan.
- 2.2 The table attached at Appendix 1 shows the key areas of performance that form the service delivery plan for the Council and the TMO, designed to deliver the Performance Agreement. This report provides a brief overview of the projects and workstreams that the TMO is delivering and more detail can be provided if required.

FOR INFORMATION

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None

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TMO PERFORMANCE AGREEMENT 2015-16 – MID YEAR REVIEW

1	Key Performance Indicators							
	The PI suite reflects the aim for continuous improvement especially in those areas affected by changes such as repairs and collection rates		The PIs that are operational are showing good results with all targets met or within the set tolerance level. Both Repairs Direct PIs have exceeded their targets for Q2. The capital programme performance PIs have not shown any significant progress because the internal works have only just started following the outcome of the Leasehold Valuation Tribunal hearing in respect of the procurement framework. Capital programme spend is as expected. Relet times have improved in Q2, but collection rates have been affected by the performance issues with Agresso.					
Ref	Performance indicator (PI) title	Good is?	2014/15 Outturn	2015-16 Target	2015-16 Actual Q1	2015-16 Actual Q2	Target achieved	Commentary
HS1	% Post Inspections passed (Repairs Direct)	HIGH	63.49%	>=90%	89.84%	94.74%	☺	Target met.
	Satisfaction with repairs (Repairs Direct)	HIGH	96.69%	>=95%	96.34%	97.25%	☺	Target met.
HS 2	Local authority tenants satisfaction with landlord services. (Biennial)	HIGH	-	-	-	-	-	The next proposed survey is 2016. The results from the Test of Opinion undertaken in Autumn 2013 showed tenant satisfaction at 78.9% and tenant and leaseholder satisfaction at 75.3%

HS 5a	Number of homes brought up to the internal Investment Standard	HIGH	327	>=1004	0	0	TBC	Contracts have only recently been mobilised so anticipated no completion data yet received by Keystone at the end of Quarter 2 but receipt of data expected through Q3 and Q4.
HS 5B	Number of homes brought up to the external Investment Standard	HIGH	1420	>=2157	0	0	TBC	
HS 3	Number of homes where SAP rating has increased through planned works	HIGH	1341	>=1091	0	0	TBC	
HS 4	Average number of days to re-let local authority housing. (YTD)	LOW	23.87	<=23	23.54	14.52	😊	Year to date performance is currently 19.47 days. Performance continues to be monitored on a weekly basis to ensure continued positive outcomes.
HS 6	Collection rates - leaseholder service charges. (YTD)	HIGH	104.681%	100.172%	25.41%	57.737%	😊	Year to date target: 50.513%. In percentage terms collection remains in target; however, in monetary terms service charge collection is below target and we would expect this continue until the issues with Agresso are fully resolved. Missing payments cause a multitude of problems, in particular the ability to refer debts to litigation as we cannot be sure that the current balances are accurate.
HS 7	Collection rates - leaseholder major works. (YTD)	HIGH	129.884%	69.689%	17.75%	34.939%	😊	Year to date target: 0.010%. Major works income is continuing to hit target and steadily reduce arrears, however, most of the billing for 2015-16 has now been applied to the Q3

								invoices and will change the level of the arrears throughout the remainder of the year.
HS 8	Rent collection and arrears recovery: seven weeks arrears. (YTD)	LOW	3.96%	<=4.5%	4.25%	5.02%	☹️	At the end of September 2015, the Rent Income Team was below target for current tenant rent arrears. Agresso issues continue to impact on arrears figures with just under £100,000 worth of payments estimated to be missing from rent accounts. There are a number of evictions pending.
HS 9	Rent collection and arrears recovery: rent collected. (YTD)	HIGH	99.65%	99.96%	98.41%	98.73%	😊	Rent Income Officers are continuing to progress with arrears actions; however the increase in court costs for possession (now £250 which were previously £100) will impact on taking lower level arrears cases to Court where the added legal costs may match the level of arrears. With Christmas approaching there will be an increased drive to target households in arrears to mitigate some of risk of non-payment in December 2015.
HS 11	Proportion of approved housing capital investment programme spent. (YTD)	HIGH	99.8%	>=99%	8.42%	13.66%	😊	The budget for the HRA Main Programme in 2015/16 is £14.031 million. The 2015/16 budget has been increased by £31,000 due to the underspend being carried forward from 2014/15. At this stage in the year no budget variation is currently forecast.
HS 10	Collection rates and arrears: Travellers Site	HIGH	103.40%	>=100%	88.95%	95.58%	😊	Collection for Q2 alone was 102.21%. Arrears ended the quarter at £16,002.

2.	Audits The audits programmed for 2015/16 as follows:	Service Area	Audit	Progress
		Finance and IT		
		Corporate Accounting – KCTMO and Repairs Direct	Full Review	Q4
		Leaseholder consultation, Income and Debt Recovery	Full Review	Q3
		HRA Accounting	Full Review	Q4
		IT Network Security	Full Review	Final issued - satisfactory
		IT Server Infrastructure	Full Review	Q4
		Operations:		
		Housing Rents	Full Review	Q3
		Housing Management	Full Review	Q3
		Lifts Contracts - Management	Full Review	Q3
		Property Data and Standards Team – Asset Management	Full Review	Q3
		Cleaning Contract - Management	Full Review	Final issued - satisfactory
		People and Performance:		
		Health and Safety	Full Review	Q4
		Executive:		
		Risk Management	Full Review	In progress
		Procurement Governance	Full Review	Final Issued - satisfactory
3.	Respond to the impact of welfare reform			
3.1	Universal credit being paid directly	The Heads of Neighbourhoods attend the Welfare Reform Benchmarking Sub		

	to tenants.	<p>Group where the implementation of Universal Credit is discussed.</p> <p>The TMO tenant profiling is enabling the TMO to better understand residents' needs to help shape their services going forward. By the end of August 2015, 741 tenant profiling visits were attempted with 480 completed. The profiling information includes questions around budgeting, access to the internet and vulnerabilities which is feeding into the preparation for Universal Credit (UC).</p> <p>It is anticipated that UC will be introduced within the borough in November this year. The TMO has been raising awareness by updating its website with the most up to date information, including an article in the Link magazine which states where residents can find free use of computers in the borough and has improved its literature on the matter.</p>
3.2	Work will need to continue on long-term solutions around households that may need to consider moving to smaller accommodation or cheaper areas because their current housing is no longer affordable.	<p>The TMO continues to work with RBKC on long-term solutions for households who need to move to smaller accommodation due to the welfare reforms. These include:</p> <ul style="list-style-type: none"> • Mutual exchange (for which there are financial incentives); • Transfer to smaller accommodation (for which there are financial incentives and priority points are given); • Employment opportunities through Pathways to Work; • Advice obtainable at road shows, this year entitled, 'Your Route to Success' (2014/15) (see 3.3). <p>As at the end of August 2015 the TMO has carried out seven mutual exchanges for those affected by the welfare changes and there have been two transfers.</p>
3.3	The TMO will continue to work with the Council on the delivery of support for workless tenants and households	<p>The TMO has started delivering a series of 'Get Wise' Roadshows (2015/16). The three main themes are Health and Wellbeing, Employment & Training and Finance and Budgeting. The first one commenced in June 2015 where 173 residents attended. These events are joint events with other local housing providers, thus widening their reach. The next roadshow will be in the south of the borough in February.</p>

		<p>Each event includes a number of external agencies and TMO departments offering a wide range of training and support. The TMO also welcomes new partners to join the roadshow.</p> <p>RBKC carried out a jobs roadshow at the recent TMO residents' conference in September. This roadshow was well attended by residents looking to get back into work.</p> <p>The TMO will continue its integral involvement in the RBKC Housing and Worklessness project and its obligations under the Pathways to Work Charter.</p>
4.	Investing in the Borough's Stock	
4.1	The TMO will continue to work with the Council on the HRA business planning and asset management	<p>A planned 5 year capital programme has been developed and has been published on KCTMO's website.</p> <p>A framework of contractors and consultants has been set up to deliver the capital and planned external decorations programme over this period. Work has commenced on internal refurbishment and external works are planned to commence in Q4 of 2015-16.</p> <p>Options for capital investment for 2017/18 and beyond are being considered in the context of potential funding changes.</p>
4.2	The TMO will continue to work with the Council on asset investment projects.	<p>Grenfell Tower Regeneration</p> <p>The regeneration of Grenfell Tower is approaching its final stages. New double glazed windows have been installed to all homes and the new communal boiler has now been commissioned. The TMO is working with residents to agree the connection of individual flats onto the new system.</p> <p>The external cladding is now being fitted and the construction of the new communal entrance and community room is well underway.</p>

	<p>Work is also progressing on the building of the new nursery, boxing club and nine new "hidden homes".</p> <p>There have been some delays in the programme as two of Rydon's subcontractors have gone into liquidation and alternative suppliers and installers have had to be procured. This will delay the completion date. Latest reports show that the project will still be delivered within the approved budget.</p> <p>An additional piece of work is currently being priced and programmed to complete the environmental works and installation of play equipment that was omitted from the KALC project because of its close proximity to the Grenfell Tower site. This work would be in addition to the current approved contract sum and the works would be programmed at the end of the current contract period.</p> <p>Trellick Tower</p> <p>A programme of work to Trellick Tower is being planned. This will include the external repair and maintenance of the exterior of the building and will include refurbishment and redecoration of existing windows, concrete repairs and limited renewal of windows that are beyond economic repair.</p> <p>The estimated cost of this work is currently £7.23m and it is proposed that this work will be delivered in the 2016/17 and 2018/19 financial years.</p> <p>It is proposed to procure this work through the Capital Works Framework with Wates and Baily Garner. The scope of work will be firmed up through further detailed survey and pilot works in consultation with planners. Given the Grade 2* listed status of the building and the nature of the work required (i.e concrete repair and refurbishment of windows), there is a risk that the cost of the work could increase. This will be monitored closely and options considered before the scope and cost of the scheme is finalised.</p>
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		<p>Hidden Homes</p> <p>The Whistler Walk hidden homes scheme has been completed, delivering 7 new homes within budget.</p> <p>A further project at Holmefield House is currently progressing through the procurement.</p> <p>Other projects are being considered at feasibility stage.</p>
4.3	Capital Programme Monitoring	<p>The works undertaken as part of the capital programme now include a proactive asset management approach seeking to improve performance in terms of rental income, value for money and providing as a decent safe place for residents to live.</p> <p>Due to the size and the complexity of the capital programme the Council and TMO have put in place monitoring arrangements to reflect the increased level of funding and risk involved.</p> <p>More detailed capital monitoring procedures have been developed which set out the working relationship between the TMO and the Council on the asset management projects. These will be included in the next iteration of the Management Agreement and are in preparation for further regeneration opportunities involving extensive partnership working.</p>
4.4	The Capital Works Procurement framework	<p>As mentioned in 4.1 the TMO is now using the asset management framework arrangement it developed to provide contractors and consultants for capital works (contractors - KeepMoat and Wates and consultants - JRP and Baily Garner)</p> <p>In order for the Council and the TMO to be able to use the framework for works to leasehold properties and to be able to recover the costs the Council had to</p>

		<p>make an application to the Upper Tier of the Leasehold Valuation Tribunal to establish if the framework was a Qualifying Long Term Agreement. It was established that the framework is a Qualifying Long Term Agreement to which section 20 of the Leasehold and Tenant Act applies.</p> <p>The TMO will be using the framework for all works but is taking a measured, risk management approach by starting its programme with internal works.</p>
4.5	Working with the Council to improve the quality and supply of TA	The Council is looking at expanding the number of TA properties that the TMO manages. This is mainly through opportunities that come about as a result of regeneration plans. For example, where the Council is buying back properties on estates scheduled for regeneration properties have been let as TA while regeneration plans are progressed. There is an ongoing dialogue between Housing, Corporate Property and KCTMO regarding expanding KCTMO's management of TA.
5.	Repairs Direct	
5.1		<p>The mid year position is positive and reflects the ongoing improvements that have been made in service delivery in all areas of the Repairs Direct business. Improved productivity coupled with efficiency savings have reduced average day to day and void job costs which will contribute to the expected surplus at year end.</p> <p>A reduction in sub contractor usage has been achieved with the direct labour force taking on more of the workload and this will continue as part of the change process.</p> <p>A new staff structure is being implemented together and with the trade skills review ensuring the Organisation is best placed to accommodate the opportunities and challenges that increased in-house activity and future growth brings.</p> <p>A more structured and regular meetings schedule has contributed to improved</p>

		<p>communication and coordinated between departmental and stakeholder groups that has enhanced working relationships and team working.</p> <p>In looking forward the TMO is setting the framework for delivery of excellent core services that provides enhanced customer satisfaction with a repairs team that has the capacity to create and develop opportunities internally and externally.</p>
6.	Disposals	
6.1		<p>The disposals policy has been approved by Cabinet and three properties have been identified for disposal and one for conversion.</p> <p>The Council and the TMO are working with Corporate Property to vacate the properties for disposal and appoint agents, and for the conversion complete the appraisal and undertake required work in preparation for reletting.</p> <p>The disposals should be completed by the beginning of next year and the conversion will be completed by the end of March?</p> <p>The Council and Tenant Management Organisation are reviewing the asset management model to identify other properties that require significant investment.</p> <p>Joint work will also be taking place to look at the impact of the new Housing Bill and the required disposal of high value voids on asset management and the capital programme. This will be reflected in the HRA Business Plan to be published in January 2016.</p>
7.	Digitalisation	
7.1	Tackling the digital divide by considering how to address	The TMO is currently developing its Digital Inclusion Plan, which will support the aims of the Corporate Investment Strategy, which includes a section on

	barriers that are preventing tenants benefiting from these technologies.	<p>digital inclusion, namely:</p> <p><i>Facilitating digital inclusion to enable access to apply for benefits, jobs and services online</i></p> <p>This plan will involve the development of Digital Champions, both of staff and resident volunteers, investigating Wi-Fi access points in community rooms and signposting residents towards local pre-existing services in the Borough that provide digital inclusion support.</p> <p>The TMO continues to be involved in the development of the Tri-borough Project looking at the issue of digital inclusion for social housing tenants.</p> <p>Internet Access has been included within the tenancy check process.</p>
8.	Health and Safety	
8.1	Health and safety issues in the social housing sector that have arisen during this year include: window safety, fire safety and cleanliness at supported housing schemes.	<p>A Health & Safety Action Plan facilitates monitoring of compliance with health & safety legislation and best practice. This is updated and presented to the KCTMO Health & Safety Committee on a bi-monthly basis. This Committee is chaired by the Executive Director of Financial Services & ICT.</p> <p>Since April 2015 particular progress has been made with –</p> <p>Fire Safety</p> <ul style="list-style-type: none"> • The Fire Risk Assessment (FRA) programme, required by fire safety legislation, is ongoing and continues to adhere to best practice guidelines and comply with London Fire Brigade (LFB) requirements. • Bi-monthly meetings with LFB Officers continue. This has fostered a closer working relationship and led to increased LFB familiarisation visits to major works projects such as Grenfell Tower and other blocks (particularly high-rise) throughout the stock, closer cooperation on fire investigation & post-fire audits, better interrogation of false fire alarm activations & LFB attendance at lift shut-ins, a more coordinated approach to dealing with

		<p>"hoarders", better support for high risk individuals (provision flameproof bedding for several sheltered residents who smoke) etc.</p> <ul style="list-style-type: none"> • No enforcement action taken and no Notices of Safety Deficiencies received from LFB in this period • Eight fires were reported and attended by the LFB in this period. No-one was injured in any of these incidents. Six of these fires were considered by the LFB to be relatively minor with little or no damage to property. In the remaining two cases there was significant property damage. • Electrical inspection and testing programme progressing – within communal areas and also within dwellings. Inspections within dwellings incorporate the installation of a hard-wired (with battery back-up) automatic fire detection system. This has significantly increased resident safety. (In both of the recent fires which resulted in considerable property damage the smoke / heat alarms were activated at an early stage and residents were able to evacuate safely without injury.) <p>Continued liaison with Ofcom has prevented further pirate radio activity on roofs of the high-rise blocks.</p> <ul style="list-style-type: none"> • With regard to resident safety, works also continue to ensure compliance with gas safety - with gas servicing currently running at 100%, • legionella prevention - specialist contractors inspect communal storage tanks and sample and analyse water quality annually and carry out bi-annual water quality risk assessments, • asbestos legislation – ongoing survey programme of void dwellings and communal areas, information & guidance to residents and encapsulation / removal by licenced contractors where asbestos material deteriorates, becomes damaged or works are planned which would interfere with it <p>With regard to staff health & safety there is an ongoing programme of workplace inspections & risk assessments, work activity risk assessments, allocation and monitoring of lone worker safety devices, accident and violent incident investigation, regular health & safety training etc.</p>
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9.	HRA commercial portfolio	<p>The portfolio currently comprises 182 properties, producing an annual rent roll of £3.06m. Operational management is provided via a Service Level Agreement between KCTMO and RBKC Corporate Property, which sets out mutual responsibilities and details performance expectations.</p> <p>Corporate Property is reporting that KPI targets for issuing invoices, rent collection and lease renewals will be substantively missed in 2015/16, due to failures of their internal systems stemming from problems with the implementation of Agresso, the new tri-borough finance system.</p> <p>However, progress is being made in other priority areas, including identifying new income streams (particularly via telecoms lettings), maintaining low void levels in the existing stock and addressing issues with HRA properties occupied by RBKC departments without formal leases.</p>
9.1	Parking Review – Commercial Workstream	<p>This KCTMO-led project seeks to generate new revenues by changing use of and commercially leasing derelict and underused estate parking sites.</p> <p>Acklam Road (Swinbrook Estate) A new lessee, Brunel Estates, was identified for this site following withdrawal of the previous proposed lessee prior to completion. July Cabinet approved a lease on terms that will generate £200k pa in new income on a 25 year term. Brunel will provide all capital expenditure, including funding redevelopment of the area retained for residents parking. We are managing the project to completion, with lease commencement estimated in 2016/17 Q1.</p> <p>Holmefield House Cabinet approved the letting of this site to Iridium Assets in October 2014, on terms that will generate £120k pa in new income on a 20 year term. Delays have been incurred due to legal advice over the detailed lease terms and problems in scheduling enabling works by KCTMO. However, these have been addressed and we are managing the project to completion, with lease</p>

		<p>commencement estimated in Q4.</p> <p>Walnut Tree House (Tregunter Estate) Lease of this site to Fortbox completed in 2014/15 and the site is operational, paying £142k pa of new income on a 25 year term. However, there have been considerable problems with water ingress, which we are still working with the lessee to resolve.</p> <p>These leases will collectively generate c.£500,000m pa in new income from previously derelict sites, representing a 33% increase in value of the entire HRA Commercial Portfolio (for which the rent roll is £3m pa, excluding these sites).</p>
10.	Parking Review – Enforcement Workstream	<p>The off-street traffic management order was made in statute on 29 June, with three estates being excluded due to objections received. The statutory consultation on the on-street order runs to 9 October. Objections on both orders will be considered in a Key Decision Report after 9 October.</p> <p>Works will begin in mid-October on the non-excluded off-street estates to transform them in preparation for going live with the new arrangements.</p> <p>Subject to the outcome of the Key Decision Report, the go live date is anticipated to be in November 2015.</p>
11.	Resident Engagement	<p>The TMO held its annual Residents’ Conference in September 2015. The event which was attended by over 400 residents and 55 children was the most successful TMO residents’ conference in terms of numbers and diversity of residents attending. Residents participated in a number of Workshops including Q&A sessions with the RBKC Council Leader and the TMO Executive Team.</p> <p>The number of young residents signing up to the Youth Engagement Project continues to grow and now stands at 275 young people. The increased engagement is mainly through the successful delivery of a number of sport</p>

		projects, local community roadshows and the completion of the refurbishment of the Hazlewood Tower Games pitch.
12.	Travellers' site	<ul style="list-style-type: none"> • HRP works to the community room and relocation of the site office is now complete and was well received by residents • Work is continuing with the new Resident Compact which has been progressed by the TMO's resident engagement team. Further training for compact members has been arranged as well as arranging a Compact meeting to discuss any site issues. • All residents have now signed the new licence following a further push from the Site Manager. No further legal challenges to the licences have been received so this is a positive step forward. • Site management is ongoing with key services well managed including repairs, rent collection and estate management. • Further repairs are required to the access road on the site. TMO will be carrying out remedial works however further discussion required between the TMO and RBKC at the next contract meeting regarding renewal of the road which will require a capital investment.
13.	Conclusion	<p>The TMO continues to work towards the outcomes set out in the 2015-16 Performance Agreement. It is busy with the variety of workstreams designed to meet the strategic aims of the Council; supporting welfare reform, pro-active asset management and increasing commercial income for the HRA as well as building on the strength of its core housing management functions, keeping resident safe, secure and supported.</p> <p>Big challenges lay ahead for the partnership and the HRA Business Plan 2016, currently being developed, will set these out. Close working to implement the new Housing Bill and mitigate the impact to the Council's stock and the TMO's operations will be essential.</p>