

**THE ROYAL BOROUGH OF KENSINGTON & CHELSEA  
TENANT MANAGEMENT ORGANISATION**

**TMO Board**

**Meeting held on 15<sup>th</sup> November 2012 - Part B**

Present:

Ms Fay Edwards, Borough wide Board Member (Chair)  
Mr Tony Annis, Borough wide Board Member  
Ms Mary Benjamin, Borough wide Board Member (Vice Chair)  
Mrs Celine Green, Borough wide Board Member  
Mr Reg Kerr-Bell, Borough wide Board Member  
Mr Iain Smith, Borough wide Board Member (Vice Chair)  
Mr Roy Turner, Borough wide Board Member  
Mr Tony Ward, Borough wide Board Member  
Councillor Judith Blakeman, Council appointed Board Member  
Councillor Maighread Condon-Simmonds, Council appointed  
Board Member  
Mr Peter Molyneux, Council appointed Board Member  
Mr Peter Chapman, Appointed Board Member  
Mr Anthony Preiskel, Appointed Board Member

In attendance:

Mr Robert Black, Chief Executive  
Mr Mark Anderson, Director of Assets and Regeneration  
Ms Yvonne Birch, Executive Director of People and  
Performance  
Mrs Angela Bosnjak-Szekeres, Governance Manager and  
Company Secretary  
Ms Sacha Jevans, Executive Director of Operations  
Mr Andy Marshall, Assistant Director of Partnering  
Mr Anthony Parkes, Executive Director of Financial Services  
and ICT  
Mr Peter Dunne, Consultant  
Mr David Williams, Consultant  
Ms Jane Clifton, Executive Office Manager

Apologies:

Mr Jeff Zitron, Council appointed Board Member  
Mr Jon Dee, Appointed Board Member

1. Update on developing the proposal to set up an Internal Service Provider (ISP) for repairs and maintenance

An update had been provided for the Board which gave a summary of the work done so far to develop an ISP, and the next steps. Section 4 outlined the steps going forward to the Board meeting on 8 January. Following the Board away days on 2/3 November, two additional meetings had been arranged for 22 and 29 November to provide Board members with an opportunity to discuss the details before the business plan went to the Finance, Audit and Risk Committee on 13 December. There would also be an opportunity on the 22 and 29 November for Board members to see how the repairs' section operated at present, and the CSC.

The following questions were asked:

1. It was queried whether there was a comparable organisation to the TMO to provide benchmarking on costs. Appendix 1 of the report gave details of the benchmarking carried out in the summer against comparable organisations.
2. The position with Willmott Dixon was queried, and confirmation was given that whilst the ISP was under consideration by the Board, it would remain confidential. However, because Willmott Dixon had an interim contract, they would be aware that we would be considering options for the future of the service which would include setting up an ISP.
3. It was requested that more narrative be provided on net surplus assumptions when the business plan was presented to the Finance, Audit and Risk Committee on 13 December.

**The Board noted the update on the work being undertaken to develop the proposal to set up an Internal Service Provider (ISP) for repairs and maintenance.**

2. The Grenfell Tower Regeneration Project

The Grenfell Tower regeneration project had come to the Board earlier in the year for the appointment of Studio E Architects as the design team, which had taken the project through to the submission of a planning application, due to be approved in December. This procurement had been led by the KALC project, and the appointment of the design team had been an OJEU procurement. The Board was now being asked to agree the appointment of Leadbitter, the principal contractor, for the pre-

construction agreement phase of the project. The work being carried out by the design team had reached stage D, the submission of the planning application, and their employment would transfer to Leadbitter. A further contract award report would come to the Board in January 2013.

The following questions were asked:

1. It was queried whether there would be any liabilities, and confirmation was given that these would pass to Leadbitters.
2. A comment was made by one Board member that consultation with residents had been carried out at a late stage. This was refuted, and it was explained that there had been over six months of detailed consultation on the Grenfell Tower project, and good feedback had been received, although consultation on the KALC project had been late.
3. Consultation with the EMB board was queried, and also with leaseholders. Confirmation was given that there had been consultation with the EMB board, but no leaseholder consultation was required because it was an improvement.

**The Board agreed that the project should progress to the detailed design and tender package phases, and that Leadbitter be appointed to undertake the Pre-Construction Agreement phase of the project with costs being capped at £250k.**

3. Investment requirements of RBKC Housing Stock: TMO approach

The Chief Executive introduced this item. Since the away days on 2/3 November, he had attended a presentation by two consultants, Savills and Sector, and Savills would be appointed as RBKC's consultant on this project in two weeks' time, and work would then start. Savills would be working for both the TMO and RBKC on investment options, but the work would be done by different teams.

Dave Williams made a short presentation to the Board on further work carried out since the discussion at the Board away day on 2 November. His presentation covered:

- Recap from the away day
- Asset ownership models
- Focus on community ownership
- Next steps

Savills would make recommendations on the way forward to obtain

funding for the stock, and were due to report to RBKC in March 2013. The TMO would be expected to engage in this process, and influence the outcome. Their brief was to look at a wide range of options, some of which would not involve the TMO although there was a good relationship between RBKC and the TMO.

**Key criteria for this project had been agreed by the Board:**

- More investment in homes and estates
- To be a catalyst for change in the local area
- Resident influence to be enhanced
- Protect the business going forward
- Deliver new homes
- Play a role in regeneration on specific estates
- Maintain a strong delivery relationship with the Council
- Would it be best for the TMO's evolution going forward?

**High level options:**

1. Asset transfer, either freehold or leasehold
2. A joint venture company to get investment into the stock
3. Staying as we are would involve looking at the management agreement and changing it so we could move forward.

During previous discussions, the Board had been interested in the first two options which both had sub-options for consideration against the Board's key drivers.

As a result, further consideration had been given to a mutual/resident ownership model which was one of the asset ownership options. There were variations on the community ownership model i.e. community gateway which was not used very much.

**The mutual model:**

- Transfer of stock or leasehold. It had to be a long lease in order for the model to work properly i.e. 125 years
- The option would be subject to a tenant ballot, but although leaseholders would be consulted, under legislation they were not required to be included in a ballot
- The model assumes resident involvement, and an extension of membership to everyone, including staff
- The key advantage was that this model would allow the TMO to borrow money. The Council were limited on the amount that they could borrow because of the debt cap.
- Tenant rights are protected, and potentially we could provide a greater range of services.

#### Requirements for setting up a mutual:

- The structure of the organisation would have to change because we would be involved in providing new homes, regeneration, borrowing money and community development
- The management structure with the Council would also have to change as we would become a different type of company
- We would obtain grants/funding from the Homes and Community Agency, and we needed assurances about regulations
- The governance structure would evolve so we had the right skills
- The Homes & Community Agency would want to see our performance
- There would be a financial plan for borrowing money over a 30 – 40 year period, which would be paid back.

#### The Council's criteria for considering the various models:

- Would it bring in investment?
- RBKC would keep the freehold
- Would the option provide a successor body for the evolution of the TMO?
- TMO would be engaged in governance and generate additional rents
- Tenants in new homes would pay different rents to existing tenants so the debt could be serviced
- Engagement of staff
- Avoid break up of the stock
- There would still be some choices i.e. community development.

#### Next steps:

- Develop a more sophisticated financial plan
- Model all the services that we would be doing and agree the assumptions
- Review capacity
- Consider what the money would be spent on
- Build up a financial model over the next few weeks
- Work up proposals in more detail depending on the decision about future direction
- A working group of the Board to look at the detail going forward

- The Chief Executive and Anthony Parkes would be on the Council's working group, and would be able to influence the debate on the way forward.

In summary, there was more work to be done although the mutual was a well developed model, and also aligned itself with the Council's objectives.

The Chief Executive explained that the Council would be leading on this process. Savills, once appointed by RBKC, would look at the options with the Council, and it was hoped that they would give weight to the option of the TMO working in partnership with RBKC. The TMO's role in the process was to influence the Council's considerations, and the Board's strategic position would remain confidential at this stage.

Board members asked the following questions:

1. It was asked whether transfer would involve whole estates, or would the stock be broken up. Confirmation was given that we wanted to avoid the stock being asset stripped. However, this was a possibility even without any decision on the way forward being made.
2. It was queried whether 65% of market rents would be charged for voids if we became a registered provider. Confirmation was given that choices would have to be made if we wanted to develop the stock without access to grants.
3. It was asked that the Council's brief be circulated, and this would be done when it had been established that it was in the public domain, and the presentation would also be circulated.
4. One Board member was concerned that residents might be unhappy with the proposals if they wanted the stock to stay with the Council. There was also concern that leaseholders would be excluded from the ballot. There was sympathy with this point of view, but the decision would be made by RBKC, and the Board was considering the best position to influence this decision. If we did not co-operate, it was very likely that we would lose estates over the next few years.
5. It was also felt that the Council was moving too quickly. However, if the Board wanted the Council to consider this model, the best way forward was to produce something in the next two weeks which would show that a mutual was an achievable model.
6. It was queried whether the TMO would become a registered provider. However, the TMO would have to fit within the regulatory framework in order to borrow money/get grants and funding so we would have to register. Private landlords

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were now becoming registered and companies such as Pinnacle. Becoming registered as an RP would be just a vehicle for borrowing money. Savills may propose another option i.e. borrowing on the General Fund, or setting up a joint venture company. Any option had to provide the potential to borrow money. Although councils could borrow money at favourable rates, RBKC could only borrow a very small amount of money under government guidelines.

7. It was commented that not all tenants had received new kitchens and bathrooms under decent homes as promised. However, the Board could decide on key criteria for the regeneration of homes, and this was an opportunity to maintain homes at a standard that residents wanted.
8. The position on secure tenancies was queried. This would be debated as we would move to a new tenancy regime under a leasehold transfer. However, terms and conditions would remain the same, and could be enhanced i.e. two succession rights. Assured tenancies also provided tenants with the same level of security, and this message would be conveyed to residents.
9. It was queried whether the Council would take away tenant management under a joint venture company, and this could happen as this model was not compatible with that of a TMO.
10. It was agreed that the status quo would be a worse option, and there was also the possibility that the management fee could be cut in the future.
11. It was queried what the position was on the right to transfer. This was not yet legislation, but would not be an option if the Council wanted to regenerate the stock.

The Board would be kept informed of progress when Savills started their commission through meetings and e-mails. Board members were in agreement that the TMO had to use this opportunity to influence the Council's decision on the way forward, and that we should position ourselves to do this. **The Board noted the update on the investment requirements of RBKC housing stock.**

CEO/JDC  
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Signed by Chair:



Date: 8/1/13

