

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

**TMO Board
Meeting held on 25th July 2013**

Present: Ms Fay Edwards, Resident Board Member (Chair)
Mr Tony Annis, Resident Board Member
Ms Mary Benjamin, Resident Board Member
Ms Anne Duru, Resident Board Member
Mr Kush Kanodia, Resident Board Member
Ms Deborah Price, Resident Board Member
Mr Iain Smith, Resident Board Member
Mr Brendan Tracey, Resident Board Member
Mr Peter Molyneux, Council appointed Board Member
Mr Jeff Zitron, Council appointed Board Member
Mr Simon Brissenden, Appointed Board Member
Mr Peter Chapman, Appointed Board Member
Mr Anthony Preiskel, Appointed Board Member

In attendance: Mr Robert Black, Chief Executive
Ms Yvonne Birch, Executive Director of People and
Performance
Mrs Angela Bosnjak-Szekeres, Head of Governance and
Company Secretary
Mrs Rupa Bholra, Assistant Director of Financial Services
Ms Sacha Jevans, Executive Director of Operations
Mr Peter Maddison, Director of Assets and Regeneration
Mr Anthony Parkes, Executive Director of Financial
Services and ICT
Ms Jane Clifton, Executive Office Manager

Apologies: Councillor Judith Blakeman, Council appointed Board Member
Councillor Maighread Condon-Simmonds, Council appointed
Board Member

1. Introduction by the Chief Executive

The Chief Executive opened the meeting, and welcomed the newly elected Resident Board Members, and also Simon Brissenden, Appointed Board Member, to their first Board meeting, and introductions were made.

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by

2. Appointment of newly elected Resident Board members

Following the Resident Board Member elections, the Company Secretary confirmed that the following Board Members had been elected:

Anne Duru
Kush Kanodia
Deborah Price
Brendan Tracey

They were congratulated on their success in the elections.

3. Appointment of Council Board Members

The Company Secretary confirmed that the Council had notified the TMO that their appointees would continue as:

Councillor Judith Blakeman
Councillor Maighread Condon-Simmonds
Peter Molyneux
Jeff Zitron

4. Appointment of Independent Board Member

The Board approved the appointment of Simon Brissenden, Independent Board Member, as recommended by the Appointments Panel.

5. Election of the Board Chair, Vice Chairs, and Committee and Panel Chairs

The Company Secretary explained the constitutional process for carrying out the elections, which allowed Board members who could not be present to cast their votes electronically. The elections were then carried out:

Board Chair

The nominations were:

Tony Annis
Anne Duru
Fay Edwards

Fay Edwards was elected as the Board Chair with 12 votes.

Vice Chairs

The nominations were:

Mary Benjamin
Anne Duru
Kush Kanodia
Deborah Price
Iain Smith

Mary Benjamin and Kush Kanodia were elected as the two Vice Chairs with 11 and 8 votes respectively.

Chair of the Operations Committee

The nominations were:

Tony Annis
Anne Duru
Kush Kanodia

Tony Annis was elected as Chair of the Operations Committee with 8 votes.

Chair of the Finance, Audit and Risk Committee

The nominations were:

Mary Benjamin
Anne Duru

Mary Benjamin was elected as Chair of the Finance, Audit and Risk Committee with 11 votes.

Chair of the Appointments Panel

The nominations were:

Anne Duru
Fay Edwards
Deborah Price

Fay Edwards was elected as Chair of the Appointments Panel with 8 votes.

The other members of the Appointments Panel were agreed by the Board as Councillor Maighread Condon-Simmonds and Peter

Chapman.

The Vice Chairs for the two committees would be elected at their first meetings following the Board meeting, and Board members were invited to put themselves forward for membership of the committees if they had not already done so.

The Chief Executive congratulated all the Board members who had just been elected. There had been the highest number of TMO members voting in the Resident Board Member elections, which had gone up from 32% last year to 40%. He thanked the new Resident Board Members for putting themselves forward for election.

6. Minutes of the meeting held on 16th May

The minutes of the meeting held on 16th May were agreed and signed as a correct record.

There were no matters arising.

7. TMO Performance 2012/13 and TMO Performance Agreement 2013/14

Amanda Johnson, RBKC, presented this report from RBKC, and welcomed the new Board Members. She attended Board meetings in a regulatory capacity for RBKC to present the annual and mid year performance reports. In addition a successful five year review had just been carried out. The annual report gave an overview of 2012/13, and also key issues for 2013/14.

In 2012/13, the trend had been for continuing improvement in performance with the majority of the Performance Indicators (PIs) being achieved, and a successful audit programme with mainly medium and substantial assurances. The health and safety fire risk assessment had been given a limited assurance, but the recommended action was being implemented. RBKC was working closely with the TMO on the introduction of Welfare Reform. Another successful area of collaboration was the development of Hidden Homes, and in addition to the new units at Holmefield House and Greaves Tower, more units were being planned before the end of the year. Resident engagement had been another particularly successful area.

The challenges for 2013/14 included the introduction of Welfare Reform, but we were also developing an asset management strategy, which would give recommendations for going forward, so we could take advantage of the new financial regime. In summary,

the TMO had had a very successful year, and the five year report had also demonstrated the TMO's success.

Board members made the following points:

1. Para 5.5 concerning the succession procedure on the death of a tenant was raised, and it was confirmed that the procedure was currently with the Legal section, and there would be a report back on it.
2. Para 9.1 concerning the Tri-Borough project on digital inclusion for social housing tenants was raised, and what the opportunities were. It was confirmed that Roger Keane was leading on this project for the Council, and RBKC was waiting for the outcome of a pilot in Westminster. Any recommendations could be brought back to the Board in the autumn. At the National Federation of ALMOs' annual conference earlier that month, Board members had been made aware that local authorities were making efforts to move forward in this area. A survey of the sheltered sector had been carried out, and TMO staff would be invited to attend a demonstration on this area for older people. An incentive to move forward in this area was that Universal Credit would be administered on-line.
3. It was commented that there had also been concern at the National Federation of ALMOs' conference about direct payments being made for benefits in connection with the introduction of Universal Credit. Confirmation was given that help would be provided, and a framework was being considered to enable people to have their rent paid direct. If tenants were 8 weeks in arrears, they would go on to direct rent payments. Food banks and other measures would also be considered.

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The Chief Executive confirmed that the annual report was the main regulatory report from RBKC, and over the last four years, the annual report had shown continuous improvement in the TMO's performance.

The Board noted the report on TMO performance for 2012/13 and the TMO performance agreement for 2013/14.

8. Chief Executive's Report

The Chief Executive presented his report on current projects and initiatives within the organisation. The Hidden Homes' developments at Holmefield House and Greaves Tower due to be completed later this year would provide the first new social housing units since the 1980s. Thanks were also given to Anthony Parkes

for his work on the Credit Union which had now made three loans to TMO tenants.

Board members asked the following questions:

1. It was queried what the petition from Grenfell Tower residents had been about. An explanation was given that there were several issues, as residents were concerned about the delay to the regeneration of the tower, and had also experienced a series of power surges. We were currently working on some compensation for those affected by the power surges. Peter Maddison had recently met Councillor Feilding-Mellen, the new Cabinet Member for Housing and Property, at Grenfell Tower to brief him on these issues, and we had also carried out door knocking to see if anyone else had been affected. In the meantime, the residents were carrying out a blog campaign about their concerns.
2. The partnering arrangements on the Grenfell Tower regeneration project were raised. Confirmation was given that we had been planning to use the contract framework for the new academy, but there had been problems with costs, so we were going out to the market. Our approach on other projects was queried, and confirmation was given that we were currently exploring the options for a procurement framework.

The Board noted the Chief Executive's report.

9. Report and Financial Statements for the year ended 31 March 2013

Anthony Parkes presented the Financial Statements for 2012/13 which would also be going to the AGM on 21st September. The main points were as follows:

- On the Profit and Loss Account, a loss of £493k was shown but this included other financial charges such as interest payments, and we had no loans and debts. This figure reflected FRS17.
- On gains and losses, we made a profit which was again driven by FRS17.
- On page 67, the Profit and Loss Account was shown without the pension liability.
- The total income included the management fee, CAS, recharges and commission. Administration costs included the cash cost of the pension, and the pension adjustment was the difference between this cash cost and FRS17

costs.

- On the pension fund, the actuaries had confirmed that over a 10 year period, the pension fund would be fully funded, which gave a different picture.
- The profit before the pension adjustment was £48k. We paid tax on CAS income, and non-MMA items, and £49k was the break-even figure after tax.
- The Profit and Loss Account showed that income was down by £320k, which had been offered as a saving on the management fee the previous year.
- We received additional income from the travellers' site which was outside the HRA
- CAS income had been increased by £26k
- Administrative and salary costs had been reduced due to a reduction in agency staff although the accounts showed that we had three additional full time staff. However, the reduction in agency staff had included some expensive senior posts.
- Legal costs for anti-social behaviour and rent collection had been reduced by more work being done in-house
- ICT costs had been reduced by tightening up contracts, and some systems were no longer being depreciated which increased profit.
- On FRS17, an explanation was given on page 49 of the report showing that there had been a change in the assumption concerning the increase in salaries over the longer term. It had been unrealistic to give 1% as the only increase over four years. We had moved to a salary assumption based on RPI. The actuaries had initially been concerned that this was not a standard, but had now confirmed that it was a reasonable assumption for the purposes of this report, and RBKC were happy with this. However, it was important to note that the swings on the pension fund were greater than the TMO's turnover.
- On the balance sheet, there had been a £158k increase in assets. The auditors had not required Repairs Direct to be consolidated into the accounts this year as it was not yet trading so it had been treated as a fixed asset. It would be consolidated next year. Cash in bank had decreased by £78k because of the loan to Repairs Direct.
- There had been an increase in debtors of £11k. The cash reserves had varied between £720k and £1m.

On assurances:

- The accounts were prepared in accordance with accepted principles and conventions
- The TMO was a going concern with reserves in excess of

- £2m, £941k in cash, and a letter of support from RBKC.
- Internal Audit reports had given just one limited assurance in the area of health and safety which did not affect the financial position
 - The statements had been presented to the Finance, Audit and Risk Committee on 10th July, and there had been a closed session between committee members and the auditors without staff present.
 - All Executive Directors had signed a letter of representation in addition to the letter of support from RBKC.

The Finance, Audit and Risk Committee had agreed the following recommendations for Board:

- The letter of representation be approved and signed
- The financial statements for the year ended 31 March 2013 be approved and signed subject to the letter of representation being signed by the Executive Team, the letter of support from RBKC, the letter from Board Members on Statement of Disclosures, and the editing of the Directors Report.
- The letter of representation would be signed by Fay Edwards as Chair, and Mary Benjamin as a member of the Finance, Audit and Risk Committee since the former chair of the committee was no longer a Board member. The financial statements had been changed in order to take the election results into account.

Board members asked the following questions:

1. It was queried whether it would be a problem in the future if the Resident Board Member elections were moved nearer the AGM. Confirmation was given that the signing procedures would be adjusted to take this into account as the AGM had to be held within a fixed timeframe.
2. The reference to the employer's contribution to the pension fund being reduced by 1% to 22.5% was raised as this was still very generous. Confirmation was given that the employer's contribution would be reduced in future years, and as we moved to CPI, the balance between the employer/employee contributions would change in the local government pension fund which applied to the TMO.
3. It was asked whether the assumptions would impact on the business plan for the next few years. It was explained that the actual contribution costs differed from the figures shown in the accounts, but were very close to the actual costs. The organisation was also receiving an increased management fee, which was a change from four years' ago

when our financial position was much worse. We had demonstrated what we could do as an organisation with an increase in capacity. The message to staff was that we also had to show better value.

4. Although the results were good, it was pointed out that we only had a £48k surplus on our turnover, and there was a reduction in our reserves. It was proposed that at the next Board away day that a session be held on how we could build up our financial position. This would be done. The new financial freedoms regime also meant we did not have to receive a settlement for one year at a time, but for five years.
5. It was queried whether it was usual to have no loans. An explanation was given that as a management company, the majority of TMO costs were for salaries, and our income was paid at the beginning of the month which gave us a good cash flow position. As a result of this we had been able to fund the setting up of Repairs Direct from our cash flows without taking out a loan.
6. It was asked whether there was a mandatory retirement age in the TMO. Confirmation was given that it was not compulsory to retire at 65, but the pension assumptions were based on a retirement age of 65. The assumptions were reviewed every year, so the evaluation could be revised.

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The Board agreed the following recommendations from the Finance, Risk and Audit Committee:

- **The Letter of Representation was approved and signed**
- **The Financial Statements for the year ended 31 March 2013 were approved and signed subject to the receipt of the following letters:**
 - **Letter of Representation signed by the Executive Team**
 - **Letter of Support from RBKC**
 - **Letters from Board Members on Statement of Disclosures**

The Company Secretary confirmed that she had received all the letters.

10 Repairs Direct progress report and repairs contract award

Confirmation was given that the mobilisation for Repairs Direct was progressing well for the launch on 2nd September. Peter Dunne, Interim Managing Director, made a presentation giving an overview of the repairs' contract, and representatives from Devonshires and Keegans were also present to respond to

questions. The recommendation to the Board was to approve the contract subject to two schedules which were still being finalised, and would come to the Board on 5th September. The presentation covered the following areas:

- The contract was a JCT measured term contract, which was a standard form of contract used in the housing sector and catered for variations in volume of work
- All performance criteria have been retained in the report
- The aim was to deliver a repairs service with repairs being carried out quickly to a high quality, and giving value for money.
- The contract would be for 10 years with an option of 10 additional years.

Payment methodology

- We would operate a schedule of rates in year 1, and would aim for price per property in year 2. The introduction of price per property required detailed knowledge of the type of repairs carried out.

KPIs

- There would be penalties for poor performance, and we would be measuring satisfaction through the number of call backs rather than right first time, plus the post inspection failure rate, and the percentage of orders completed on time
- There would be separate PIs for voids
- Penalties which could be considered were assignment of work to other contractors, termination of the contract, and payment deductions (up to 2.5%). A question had already been raised about how these penalties compared with those in previous contracts, and confirmation was given that they were quite onerous.

Quality

- Full building regulation compliance required
- A rigorous programme of post inspections (surveyors would continue to be employed by the TMO)
- Feedback invited from residents
- Any rectification to be carried out at Repairs Direct's expense

Price

- Would be based on the latest schedule, 6.1, of the National Housing Federation Schedule of Rates

- Bids would be made across the sector
- There would be a schedule of rates' price against each item, and a core number of items
- If we are bidding on the market, we will be asking contractors to bid against the percentages
- There would be a minimum order value of £50 - £75, and reviews of this would be made throughout the first year.

Board members asked the following questions:

1. At TCC on 8th July, concerns had been raised about the TUPE of repairs' staff. Confirmation was given that 1 – 1s had been carried out, and the majority of the management and administrative staff were keen to join the TMO, and any problems would be managed.
2. The recommendations concerning the starting point for the pricing in the contract was queried on page 115, and whether it was under-valued. Consideration had also been given to the Minimum Order Value, page 207, and the average value for each category in London was £43. Payment levels and methodologies would be reviewed on a quarterly basis during the first year in order to ensure best value for money.
3. There was a challenge that the pricing was too high. However, it depended on the contract, and the location of the service, and any necessary adjustments would be made during the first year.
4. Although the principle had been accepted that Repairs Direct should have a relationship with the TMO, it was queried whether there were any risks associated with this, rather having an SLA with Repairs Direct. Confirmation was given that there would regular management meetings to ensure that the contract ran smoothly. It was queried again whether there were any additional risks of going down this route. Although there would be the risks associated with all management contracts, the contract had been tailored to a TMO. Confirmation was also given that members of the ISP Board had agreed the contract. Concern remained that there was an option for Repairs Direct to go to arbitration, and the situation could potentially escalate out of control. However, the situation would be worse without proper contractual arrangements in place, and the ISP Managing Director would be reporting to the Executive Team.
5. With reference to page 191, schedule 8 on the KPI framework, clarification was sought on the distinction between KPIs and benchmarking, as up to January 2014, performance would be measured against KPI benchmarking, and then targets would be set. It was felt

that this arrangement lacked clarity. In addition, the situation on financial penalties not being applied for the first six months was queried. This position had applied to Willmott Dixon for the first three months only. Confirmation was given that the KPIs were a hybrid of those which had applied to Morrison's and Willmott Dixon, and we wanted to work towards a more simple system. Progress would be reviewed over a 3 – 6 month period in order to put benchmarking in place that was achievable. However, it was thought that the officers already had extensive experience of dealing with these contracts, and should be able to set clear targets. It was pointed out that we were starting our own repairs company, and the initial challenges would be to sort out the staffing side. Confirmation was also given that the KPIs would be monitored vigorously.

6. The possibility of Repairs Direct getting into a dispute with a sub-contractor was raised, and whether this could lead to the TMO being sued. Confirmation was given that the sub-contractors would have no contractual relationship with the TMO so this type of situation could not arise.
7. Further clarification was sought on the potential risks facing the TMO from establishing Repairs Direct, and it was queried whether the business could be sold. Confirmation was given that Repairs Direct would have public liability insurance covering any damage, accident or death, and the ISP board and officers would be covered by insurance. There would also be appropriate procedures to deal with this type of situation. The organisation had invested in disaster planning, and the ISP would also have its own health and safety officer. It was acknowledged that there were a lot of risks as we were taking on an unknown group of staff. It was also explained that the situation would be no different to the present if there was a death due to negligence as we would be liable in that situation.
8. An apology was given for the heading for Appendix 4 not being included on page 208, which gave the outlines for schedules 5 and 7.
9. Confirmation was given that the Finance, Audit and Risk Committee would monitor the risk log, and it would come to the November Board meeting.

The Board approved the contract between the TMO and Repairs Direct with the provision that further work is carried out on schedules 5 and 7, and also schedule 8 which would be presented to the Board at the September meeting for approval.

- 11 Performance Indicators and Business Plan update: quarter 1

2013/14

The Board was advised that Willmott Dixon had some unmet targets, but on rent collection, a major area of risk, there were no concerns when it was usual to have a dip in performance during the first quarter. Performance had been improving year on year for income collection, and so far we had not seen any impact from the Bedroom Tax. A separate report could be brought to the Board on the impact.

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It was queried why the capital programme was in Part B of the agenda, and clarification was given that because the item included commercially sensitive contractual matters, it had been decided to have one report in Part B. The Chief Executive confirmed that only confidential or commercially sensitive matters were reported in Part B. The Board received very few confidential reports, and the directors had a duty to respect this confidentiality. There was also concern that there was insufficient resident consultation on the capital programme. Confirmation was given that we carried out section 20 leaseholder consultation, and there was also consultation on individual projects with residents, but not on the whole programme although the TMO did consult with the Council.

The Board noted the TMO's performance for the period April to June 2013, and progress on the Business Plan strategic priorities.

12 Internal Audit report on TMO Health and Safety

This Internal Audit report on Health and Safety had been given limited assurance, and had been presented to the Finance, Audit and Risk Committee by the RBKC auditor together with other audits. The committee felt that the Board should have a report on health and safety as the TMO received very few limited assurance audits. The action plan on the recommendations was also included.

The background to this report had been that Internal Audit had been unhappy with the management of the contract for the maintenance of fire equipment, and the situation had been rectified by changes to staffing, and contract management. There was a new team in place in Assets and Regeneration with a more professional approach who had already achieved an improvement in RGE's performance.

The auditors had also been concerned about the TMO keeping contract information in different places including spread sheets, Academy and portals. The arrangements had been considered

sufficient during the previous audit two years' ago, but we now had Keystone in place which could hold information centrally. However, we had only had the system for two years, and there had been a timetable for ancillary work to be put on the system. Internal Audit felt that it should have been given higher priority.

Confirmation was given that all the action had been addressed and would be completed by the September deadline. The health and safety information was now on Keystone. A check had also been carried out to ensure that all gas inspections had taken place, and this information was now on Keystone. Some of the electrical information was ten years' old, and there was now a programme in place to complete electrical checks by April 2014.

The following questions were asked by Board members:

1. It was thought that using Keystone for all information on safety checks was good practice
2. It was queried why gas checks were still carried out if the supply was cut off to a property as we could save money. Confirmation was given that the gas carcasses still had to be checked, so checks were still necessary.
3. The Finance, Audit and Risk Committee had also been concerned about the failures on the inspection of fire equipment, and although most of the outstanding action would be completed by September, a short report was requested confirming that this had happened. It was also noted that Internal Audit would carry out a follow up report by December 2013.

AP

The Board noted this report on the Internal Audit report on TMO Health and Safety.

13 Feedback from Committees

Since the last Board meeting, there had been one meeting only of the Finance, Audit and Risk Committee. The agenda had covered the financial statements for 2012/13, and reports from Internal Audit. The auditors for the accounts had confirmed that the audit had gone well, and the only issues had been reported.

The terms of reference for the committee had been revised as the ISP subsidiary company was being set up, and were attached for reference. The revised terms of reference took account of the committee's monitoring role regarding the ISP. It was queried whether there was an alternative to the term 'group', but it was confirmed that this was the standard terminology, and referred to both the TMO and Repairs Direct.

The Board noted matters discussed by the Finance, Audit and Risk Committee at its meeting on 10th July, and agreed the revised terms of reference for the committee.

14 Any other business

14.1 Resident Board Member elections - it was commented that there had been no opportunity for Board members to meet the newly elected members before the Board meeting that evening. Under the original TMO constitution, election candidates were encouraged to attend at least three board meetings as observers, and it was queried whether this requirement could be re-introduced. However, the candidates had already attended capacity building training. It was proposed that a social event be arranged for Board members to get to know one another.

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15 Date of next meeting

The next Board meeting would be held on Thursday, 5th September 2013.

CEO/JDC
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