

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Ltd

A Meeting of the **TMO Board** will be held on **Thursday 26th of July 2012, 6.30pm – 8.30pm** in the **3rd Floor Boardroom** at **346 Kensington High Street, London W14 8NS**

Apologies (phone XXXXXXXXXX)

Refreshments available from 6pm

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Date of next meeting: 6th of September 2012

Agenda Item 2

THE ROYAL BOROUGH OF KENSINGTON & CHELSEA TENANT MANAGEMENT ORGANISATION

TMO Board

Meeting held on 10th May 2012

Present: Ms Fay Edwards, Borough wide Board Member (Chair)
Mr Tony Annis, Borough wide Board Member
Ms Mary Benjamin, Borough wide Board Member
Mrs Celine Green, Borough wide Board Member
Mr Reg Kerr-Bell, Borough wide Board Member
Mr Iain Smith, Borough wide Board Member
Mr Roy Turner, Borough wide Board Member
Mr Tony Ward, Borough wide Board Member
Councillor Emma Dent Coad, Council appointed Board Member
Mr Jeff Zitron, Council appointed Board Member
Mr Peter Chapman, Appointed Board Member
Mr Anthony Preiskel, Appointed Board Member

In Attendance: Mr Robert Black, Chief Executive
Mrs Rupa Bhola, Assistant Director of Financial Services
Ms Yvonne Birch, Head of Strategy and Engagement
Mrs Angela Bosnjak-Szekeres, Governance Manager and Company Secretary
Ms Sacha Jevans, Director of Customer Services
Mr Mark Anderson, Director of Assets & Regeneration
Mr Anthony Parkes, Director of Financial Services
Ms Lornette Pemberton, Director of People and Organisational Development
Ms Jane Clifton, Executive Office Manager

Apologies: Councillor Maighread Condon-Simmonds, Council appointed Board Member
Mr Peter Molyneux, Council appointed Board Member
Mr Jon Dee, Appointed Board Member

1. Introduction

In the absence of a Chair, the Chief Executive opened the meeting and welcomed Tony Annis and Mary Benjamin, the newly elected

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by

Resident Board Members, to their first meeting. Introductions were made.

The Chief Executive confirmed the names of the Council's appointees who would be serving on the Board until the first Board meeting after the elections in 2013:

Councillor Maighread Condon-Simmonds
Councillor Emma Dent Coad
Mr Peter Molyneux
Mr Jeff Zitron

2. Election of Chair

The Company Secretary explained the process for electing the Chair, Vice Chairs and Committee Chairs. Postal ballot forms had been distributed to Board members who were unable to be present, and they had already submitted their votes. An objection was raised in connection with Board members being able to vote who had a poor attendance record. Clarification was given that it would be unconstitutional to exclude any Board member from voting in the election, and if there were any attendance issues, these would be dealt with separately.

Four Board members had been nominated for the position of Chair, and a confidential ballot was conducted. With the addition of the postal ballot, the results were as follows:

Fay Edwards	6 votes
Reg Kerr-Bell	5 votes
Tony Annis	2 votes
Tony Ward	2 votes

It was confirmed that Fay Edwards was elected as the Chair.

3. Election of Vice Chairs

Six candidates had put themselves forward for the two positions of Vice Chair, and a confidential ballot was held. With the addition of the postal ballot, the results were as follows:

Mary Benjamin	6 votes
Iain Smith	6 votes
Reg Kerr-Bell	5 votes
Tony Annis	4 votes
Roy Turner	4 votes
Tony Ward	4 votes

It was confirmed that Mary Benjamin and Iain Smith were elected as the Vice Chairs.

4. Election of Chairs and Vice Chairs of the Committees

Finance, Audit and Risk Committee

Reg Kerr-Bell was nominated and confirmed as Chair.

Operations Committee

Tony Ward was nominated and confirmed as Chair of Operations Committee.

As there was no requirement for the Board to elect the two Vice Chair positions for the committees, consideration would be given to these appointments by the committees.

Appointments Panel - Iain Smith was confirmed as Chair.

The current membership of Operations Committee, and Finance, Audit and Risk Committee was confirmed, and Board members were invited to contact the Company Secretary to confirm their membership of the committees if there were any changes.

Clarification was given that the TMO Chair only attended the Finance, Audit and Risk Committee if invited to do so although she was an ex-officio member.

Brief messages from Sylvia Collet and Kathy Harris, the outgoing Resident Board Members, were read out to the meeting. They thanked Board members for their support, and wished the Board well for the future.

Fay Edwards thanked Board members for all their support, and wanted the Board to focus on doing a good job in the interests of residents. She invited Board members to contact either herself or the Chief Executive if they had any problems.

5. Minutes of meeting held on 29th March

The minutes of the meeting held on 29th March were agreed and signed as a correct record.

6. Matters Arising

6.1 Board member attendance at meetings - there would be a report to the next meeting on Board member attendance at

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meetings.

6.2 Elm Park Gardens' basements - Roy Turner would consider submitting a freedom of information request to RBKC about the allocation of lettings under the key worker scheme for Elm Park Gardens' basements.

6.3 Leaseholder service and major works' charges - Celine Green would discuss her queries with Dan Wood, Assistant Director, Home Ownership, and would come back to Anthony Parkes if necessary.

6.4 Grenfell Tower - confirmation was given that the Cabinet had now agreed £6.2m to be invested in Grenfell Tower, Lancaster West Estate. In addition, £900k had been agreed for Hidden Homes' developments, which would produce ten new homes across three schemes. The TMO would be the developer.

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It was queried whether window improvements would be given higher priority now the scheme at Grenfell Tower included work on windows. However, this project had not established a precedent for other estates. Subject to a survey, it was expected that the work on windows at Grenfell Tower would not be an improvement so no charge would have to be made. Further consideration would be given to work on windows in any future major works' scheme, and whether it would be an investment. It was recognised that a lot of tenants wanted double glazing.

Clarification was given that the work being done at Grenfell Tower was funded by money from the sale of Elm Park Gardens' basements, and was separate from the work done under the HRA capital programme which had to concentrate on four basic requirements, and did not include work on windows.

Unfortunately, there was not enough money to invest in windows under the capital programme. However, consideration was being given on how to increase investment in the stock. The work planned for Grenfell Tower would compensate residents for any disruption during the development of the Kensington Academy. Residents at Grenfell Tower would also receive improvements to the heating system which had long standing problems. £8m - £9m was the projected sum from the sale of flats in the Elm Park Gardens' basement development, none of which had been sold to key workers. The sales were being made in three phases, and the final phase had now been reached. Clarification was also given that if a tenant no longer qualified for housing under the key worker scheme, they would be required to leave their flat.

Window replacement schemes would be carried out on an

individual basis. Windows could be in a poor condition, but still be repairable. Regarding Grenfell Tower, we were providing RBKC with an independent report so they had third party validation.

It was pointed out that other properties also needed double glazing i.e. Danvers Street. However, there was no case to carry out these works although Danvers Street had investment needs. It was noted that windows were also in poor condition at Manchester Drive.

It was queried whether consultation had now been carried out with the residents at Grenfell Tower. The planning application had yet to be submitted, but the TMO was actively involved with four groups through the KALC project.

7. Chief Executive's report

The Chief Executive drew the Board's attention to items in this report. Regarding Welfare Reform, and the introduction of universal benefit in 2014, at a recent meeting attended by the Chief Executive, other authorities had expressed concern about the impact of these changes on their tenants. There could be an impact on rent collection, particularly as benefits would be paid direct to tenants rather than the authority. It was noted that the Council were already doing some work on this area, and the TMO would work with them. The TMO was also involved in a project to set up a credit union with RBKC, and Anthony Parkes was on their board as treasurer. FSA formal approval had been obtained for the credit union, and the back office functions were now being set up.

With regard to flexible tenancies, it was noted that some authorities had decided to continue to offer life tenancies. If RBKC offered five year tenancies, it was queried what would happen at the end of that period. However, the Council would confirm the way forward at the end of the consultation period for the tenancy and housing strategies in June. A Board working group had considered their response to the housing and tenancy strategies, which proposed the introduction of five year tenancies. RBKC could modify their strategy as a result of consultation, and a tenancy policy would be established to implement the strategy.

Further information was requested on the credit union and its benefits, and it was noted that the Board had previously approved funding of £20k for its first three years. As a founder member, TMO staff would be given the opportunity to make deductions from the payroll into the credit union. The TMO was also assisting with space for 'pop up' offices. When the Board had approved the

original funding, there had been some concern about the business plan and the credit union's stability, but sufficient resources had now been invested in it.

It was queried how the replacement of units would work in practice under the Right to Buy policy. It was anticipated that the Greater London Authority would receive most of the money from sales, and would invest money into housing. However, this housing was likely to be outside the borough so RBKC could lose social housing units from any sales although it was thought that the enhanced discount would have little impact because of high property prices in the borough.

The Chief Executive thanked staff who had worked on obtaining Cabinet approval for the funding for the Grenfell Tower project.

The Board would be advised of the outcome on the Elm Park Gardens' final account which was due to go to Cabinet in June.

The Board noted the contents of the Chief Executive's report.

8. Proposed changes to the Constitution

The Company Secretary thanked the Board members who had been involved in the Board Election Working Group, and the following recommendations from the working group were presented to the Board:

- **Retirement of Resident Board members** - currently the constitution stated that one third of Resident Board members should retire each year (two people), and the longest serving Board members would draw lots if necessary. This ruling had resulted in members staying on the Board for longer than three years without standing down, which was set out in the constitution as the length of time for a term of office. Work had also been done by the working group on transitional arrangements to achieve the new simplified ruling. Para 3.5 recommended that all Resident Board Members should retire after serving a three year period, and para 3.6 proposed revised wording for Article 16.2. Appendix 1 contained a proposed rota for Board member retirements.
- **Voting in the Resident Board Member elections** - a presentation had been made prior to the Board meeting on electronic voting by UKEngage. Para 4.2 outlined the revised wording for clause 17.2. The Board working party had received a similar presentation, and it was proposed that electronic voting be introduced for both the Board

member elections and the AGM.

- **Tenure of Independent Board members** - it was proposed that the tenure on the Board for Independent Board Members be nine years which would bring them into line with other Board members. A proposal would be brought to the next Board meeting on the re-appointment process for Independent Board Members.

Following Board agreement to these changes, they would be presented to the members at the AGM in September, and also RBKC's agreement would be obtained.

The following questions were asked by Board members:

1. It was queried why a piecemeal approach was being taken to constitutional changes, as more things needed changing in the constitution. It was proposed that a constitutional working party be set up to revise the whole document. This proposal was welcomed, but it was proposed that the immediate problems be addressed in the meantime as a considerable amount of work had already been done on these issues by the Board working group. There was also the danger that further anomalies could be created, and the aim of the current exercise was to tidy these up. Following Board approval, consultation would be carried out with members before the AGM on 15 September.
2. It was queried whether the proposed re-wording had been checked with the company solicitors, and this would be done following the Board's agreement to the changes.
3. It was suggested that the retirement of Board members be co-ordinated in line with the timing of the AGM in September.
4. Concern was expressed about the quality of the advice given by the former company solicitors who had been involved in earlier constitutional changes. It was noted that the original constitution had been drawn up by Lawrence Graham, and it was disappointing the revised constitution also contained errors. However, revisions also had to be made because of changes in company law. It was also pointed out that revising the whole constitution would take up a considerable amount of officer and Board member time.
5. It was proposed that the recommendations being put forward by the working group go forward to the AGM, and any remaining issues could be picked up at a later date.
6. A copy of the constitution would be sent to Reg Kerr-Bell, Celine Green and Tony Ward. Tony Annis and Mary Benjamin would be briefed on the constitution as part of

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their induction.

The Board agreed that the changes outlined in the report to Articles 16.2, 17.2 and 19.3, following discussion with the company solicitors, be presented to the AGM in September.

9. Corporate risk Map 2012/13

The corporate risk map had been updated, and had now been reduced in size. It had been to the Finance, Audit and Risk Committee, who had proposed a few changes, and health and safety issues were now included, and more points had been added to other risks.

The risk map indicated the likelihood of a risk happening, and action to be taken to reduce the impact. Assurances would be provided to the Board that risks were being addressed and managed.

Board members raised the following queries:

1. It was queried why the development of a strategy for growth had been included as it was thought that the Board's priority was to protect the business. However, the growth strategy would protect the business, for example, the development of a Direct Labour Organisation (DLO) would enable the organisation to provide its own repairs' service rather than relying on a contracted service. With regards to business growth, the reality was that there was insufficient investment in the housing stock. This lack of investment was an important risk because more money would have to be spent on repairs.
2. The Council was looking at unused spaces in garages etc. which could be used for housing. Progress was slow but this was the type of growth that was being worked on by RBKC with the TMO. In addition to making better use of wasted space, the additional housing would provide more income.
3. The use of the word 'tolerate' in connection with the proposed action for the risks was queried, and an explanation was given that this was a technical term for managing risks, and did not mean that situations would be put up with.

It was proposed that consideration be given to the presentation of the risk map so that it was more easily understood. Confirmation was given that progress on managing the risks would be monitored by the Finance, Audit and Risk Committee at their meetings.

YB

Following the recommendation of the Finance, Audit and Risk Committee, the Board agreed the risk map for 2012/13.

Reg Kerr-Bell left the meeting at this point.

10 Repairs contract

An update was given to the Board on the work which had been done since Morrison gave six months' notice on their contract on 28th March. The Board working group had met twice, and the Board were advised on work done since these meetings. It was proposed that Willmott Dixon be appointed as an interim contractor for eleven months with the option of a six month extension for a contract in the sum of £3.2m. It was noted that RBKC were in agreement with the proposal. **The Board agreed that the interim repairs' contract be awarded to Willmott Dixon as outlined in the report.**

11 Kitchen and bathroom renewals, electrical rewires, boiler renewals and insulation works: acceptance of tender and award of contract

The contract with Breyer, previously agreed by the Board for the renewal of kitchen and bathrooms, had encountered difficulties. Breyer had not been happy with the TMO's robust management of the contract, and had not wanted to continue with the contract into the new financial year. It was proposed that the second contractor, Keepmoat, be appointed to carry out the remaining kitchen and bathroom renewals, which would achieve the original contract of £4.52m, previously agreed by the Board.

Board members asked the following questions:

1. Although the failure of the contract was disappointing, it was noted that lessons had been learnt from this experience (para 3.4), including additional quality controls which would restrict the number of properties that Keepmoat could work in at any one time. Works would have to be fully completed and signed off by the end of the third week before new works were commenced.
2. Clarification was given that Breyer had delivered work to the required standard, but had chosen not to continue with the contract.
3. In response to a query about Breyer's references, confirmation was given that Cyntra had checked their references, and carried out additional site visits.
4. It was queried whether it was unusual for a contractor to leave a contract in this way. Confirmation was given that it was allowed under the Cyntra framework, and could happen

again.

5. It was suggested that sample kitchens, bathrooms and boilers could be demonstrated at this year's AGM. However, it was hoped that the contract would have been completed by September. An alternative suggestion was made that samples could be made available at the roadshows. Board members were reminded that trials of kitchens and bathrooms had been carried out at the start of the Breyer contract, and Board members were invited to see them. In addition it was confirmed that all residents due to have works done had seen the kitchens and bathrooms, and had chosen all the finishes and colours. We also did not want to delay the completion of the work any longer than necessary.
6. It was queried whether payments were made as work was signed off. It was confirmed that Breyer's contract had stipulated that all work had to be completed, and documents handed over before authorisation of payments.
7. It was commented that this contract had been another example of an under-priced contract, and it was proposed that external advice be taken on how to prevent this happening, as the TMO incurred additional costs, and it was not value for money. Confirmation was given that both quality and price were taken into consideration when awarding contracts, but the recession was encouraging contractors to under-price their tenders. In addition, we had to ensure that the contractor had sufficient capacity to carry out the work.
8. Para 5.2 concerning the TMO's asbestos records being included in the tender documents was raised. Confirmation was given that all the works undertaken were to tenanted properties rather than leaseholders, and assurances would be obtained from Keepmoat as outlined.

The Board agreed that a contract be entered into with Keepmoat Group plc in the sum of £2.5m as outlined in para 8.5 of the report.

12 Performance dashboard report for 2011/12 and Business Plan update

The Board's attention was drawn to the performance on decent homes for 2011/12, which indicated that 5% of properties were classified as non-decent, and there would be no change on the dashboard for the next year. The final assessment for 2012/13 on the implementation of the Business Plan had also been circulated, and progress was mostly assessed as green and amber:

- The outturn on Morrison's performance had been better than expected although they had failed to deliver on performance and quality overall.
- The call centre had exceeded its target on lost calls.
- Performance on void properties was 23.9 days, and outstanding voids had been reduced from 70 to 3, which was good news for income collection.
- Although performance on rent collection had only achieved amber, there had been a good performance on collection of leaseholder service and major works' charges.
- The capital programme for 2011/12 had achieved expenditure of £8.5m out of a potential spend of £8.6m, which was important for the TMO's relationship with RBKC. Expenditure on this year's programme was due to be less pressured as 40% of the programme was already underway.

The Board noted the Performance Dashboard report for 2011/12 and the Business Plan update.

13 Budget Monitoring 2011/12

The Board were advised that the TMO's financial outturn had continued to improve year on year, and a £45k surplus had been achieved for 2011/12 in spite of additional staff costs being incurred during the year for the Asset and Investment team. These costs had been offset by money being saved on depreciation, and the recovery of legal costs. An additional £100k had been received for 2012/13 for investment in growth.

The Board's attention was drawn to the table on the HRA debt position on page 92. This had been reduced from almost £9m in March 2009 to £4.652m at the end of March 2012, which was a substantial success for both the Rent Income and Homeownership teams. **The Board noted the financial outturn for 2011/12.** Thanks were given to Anthony Parkes and Rupa Bhola and the Finance team for this achievement.

14 KCTMO Health & Safety Annual Report 2011/12

As in previous years, there had been no major health and safety issues in 2011/12, and a considerable amount had been achieved on the TMO's legal obligations on health and safety, particularly in Customer Services. Work had continued to meet the requirements of the high risk fire assessments, and low risk fire assessments were now being carried out. All outstanding action was due to be completed within the next two years.

There had been an increase in the number of violent incidents, which was due to greater awareness of the need to report these, and they had probably been previously under-reported.

It was noted that the annual health & safety report would be presented to the Housing and Property Scrutiny Committee.

The Board were also advised that all audits carried out by Internal Audit during 2011/12 had achieved a satisfactory result in all key areas including repairs.

With reference to gas inspections, para 5.2.2, it was commented that in some cases not much notice was given of an inspection. Confirmation was given that tenants were given three opportunities to allow access before any action was taken, but if Board members were aware of any cases where insufficient notice was given, they should inform the TMO.

Clarification was sought on whether smoke alarms were 'hard wired', and this was given. **The Board noted the contents of the Health & Safety Annual Report 2011/12.**

15 Any other business

15.1 Board away day - 15 June - the Board would be advised as soon as possible of the arrangements and agenda for the Board away day scheduled for Friday, 15th June. RB

16 Date of next meeting

The next Board meeting would be held on Thursday, 26th July, at 6.30 pm.

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Agenda item 2

Appendix 1 BOARD ACTION RECORD / MATTERS ARISING

NO.	MEETING DATE	MINUTE NUMBER	ACTION	BY WHOM	BY WHEN	UPDATE
1	10/05/12	6.1	Board member attendance at meetings	AB-S	By Board on 26 July	Will be dispatched with the Board papers
2	10/05/12	7	Elm Park Gardens' final account: Board to be advised of the outcome of the RBKC meeting.	AP	By Board on 26 July	Meeting was held, and a verbal update will be given at the Board meeting
3	10/05/12	8	Proposed changes to the constitution: consultation to be arranged with members before AGM on 15 September. Proposed wording for changes to be discussed with company solicitors. Consideration be given to retirement of Board members being co-ordinated with the AGM date	AB-S	By AGM on 15 September	An update is given in the CEO report
4	10/05/12	9	Corporate risk map 2012/13: progress on managing risks would be monitored by Finance, Audit and Risk Committee.	YB	Ongoing	Finance, Audit and Risk Committee reviewed the risk map at its meeting on 11 July.

Agenda Item 3

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA TENANT MANAGEMENT ORGANISATION LIMITED

Open	
For information	
TMO Board 26 July 2012	
Report title:	Chief Executive's monthly update report
Authority for decision:	The Board has ultimate responsibility for monitoring the performance of the organisation.
Recommendations:	For information
Regulatory/legal requirements:	None
Business Plan link:	Keeping abreast of performance initiatives within the organisation, and external developments affecting social housing.
Equality impact Assessment/comment:	Equality and diversity issues are taken into consideration.
Resident consultation:	Ongoing
Resource implications/VFM statement:	Keeping up to date on the latest developments in social housing is important for shaping the business. Improved performance within the organisation will help the TMO to achieve its VFM objectives.

Risk:	Failure to engage with the external housing sector could have an adverse effect on the TMO in keeping abreast of developments within the sector. There is also reputational risk if performance fails to improve across the TMO.
Appendices:	0
Total number of pages including appendices:	5
Name, position and contact details of author:	Robert Black, Chief Executive [REDACTED]

Chief Executive's Report

1.0 Customer Excellence Award

We have recently had our annual inspection to retain the Customer Service Excellence Award (formerly Charter Mark). This year, the emphasis was on the efficiency, quality and timeliness of the delivery of TMO services. The inspector spent the day with the TMO, and looked at various documents including our service standards, the Key Performance Indicators and complaints' literature. He then visited the new Blantyre office where he saw a front line office in operation. He considered it a good day, and said that there were great positives in our delivery. He was particularly impressed with how we had improved access in the new office, and the website.

2.0 Staff Conference

We had a very successful staff conference on 27th June, and both Councillor Coleridge, lead member for housing at RBKC, and Laura Johnson, Director of Housing, spoke. Councillor Coleridge focused very much on the changes in the Housing Revenue Account (HRA), and the challenges both the Council and the TMO have in terms of future investment, and the need to explore how this can be addressed. Laura Johnson spoke about the changes happening to welfare benefits, the homelessness legislation, and the challenge of managing all these changes, and the impact on RBKC. The Chair, Fay Edwards, attended the conference, and Anthony Preiskel and Iain Smith also attended.

3.0 Consultations

The latest consultation from the Department of Communities and Local Government relates to the proposal that social landlords should be able to require tenants in social rented housing on high incomes to pay higher rents. The paper seeks views on how such a scheme would operate, and at what level the income threshold to require higher payments should be set. Income thresholds suggested are £60,000, £80,000 or £100,000, with the government indicating that it is likely to favour one of the higher figures.

The paper makes it clear that the government intends to apply the proposals to new and existing tenants, although it asks for views on applying the plans to existing tenants. Estimates of the number of tenants who would be hit by the plans vary widely. The government's figures suggest between 12,000 and 34,000 households earn more than £60,000, between 2,000 and 11,000 households earn more than £80,000, and between 1,000 and 6,000 households earn more than £100,000.

All members of the Board were circulated with the High Income Social Tenants Pay to Stay consultation paper and the Council's Digest version on 1st July with an offer to meet with the Head of Strategy and Engagement before the closing date of 12th September.

4.0 Business Change Project

This joint RBKC and TMO project met in July, and has a focus on two strands of work. These are investment in our stock and the Housing Revenue Account (HRA), and Value for Money (VFM). The meeting covered updates on the Asset Management position including the outcome of the Rand Report which was discussed at the Board away day on 15th June. RBKC officers are now beginning to explore how the HRA Business Plan will address the backlog of repairs and future investment needs.

Parking Review

The Parking Review work is part of the Business Change project, and the Value for Money (VFM) strand which aims to maximise our income into the HRA.

The Cabinet Member for Housing and Property approved leasing part of the basement garage at Holmefield House for storage on 12th July. Remedial works and site clearance are taking place prior to marketing the lease subject to planning in September 2012. The length of the lease would be around 15-20 years and estimated income could, after preliminary works, be around £100,000.

We are now consulting Tregunter Estate residents on a proposal to lease a section of the Walnut Tree House garage for storage, with a section retained for residents' parking. We are also developing commercial proposals for Acklam Road, Lowerwood Court, Oxford Gardens and World's End garages.

Staff are using the new mapping tools and database revision to prioritise allocations for void parking spaces. We are now finalising a google maps' function, which will display these voids on the KCTMO website, as part of a resident marketing campaign to be launched in August.

5.0 Olympics contingency plan - 27 July to 10 August

There has been considerable planning for the Olympics to ensure that services run as smoothly as possible during this period. Although staff may experience problems getting into work, it is difficult to predict in advance the severity of these. However, the majority of Executive Team will be working during this period, and will ensure that the offices are covered on a daily basis. Arrangements are also being made for staff to work at home, and as there is limited capacity on our IT system for this, spaces are being allocated across the teams.

In addition, we are also working with our contractors on their contingency plans as it is anticipated that there will be problems driving around the borough. An additional base for CAS staff is being set up in the south of the borough, as they are also likely to experience difficulties.

6.0 Credit Union update

The credit union has now appointed a managing director, and the back office function is being established. It is hoped that the credit union will be operational by early autumn, and a report will be presented to the Board on the services to be provided. Anthony Parkes is leading on this for the TMO, and is on the credit union board following his appointment as treasurer.

7.0 Residents' conference and AGM - Saturday, 15 September

The AGM will be held after the Residents Conference on 15th September 2012. Papers for the AGM will be sent out from 23rd August 2012 onwards. As well as postal voting, members will have the opportunity to vote electronically for the resolutions proposed, in line with the Constitution. UK Engage will act as the independent company overseeing the voting at the AGM.

8.0 Consultation on the constitutional changes prior to the AGM

Consultations on the recommended draft constitutional changes to Article 16.2, 17.2 and 19.3, as agreed by the Board on 10th May, are being carried out with members during July and August. Members will receive a letter regarding the recommended changes and will be able to comment via post using a self addressed envelope, log online and leave their comments or attend one of the consultation meetings. The dates and venues of the consultation meetings are provided below. All meetings will be held from 6pm-8.30pm and a member of staff from the TMO and UK Engage will be present at each of the meetings. The changes will be recommended to members for approval at the AGM on 15th September 2012.

Date	Venue
Monday 6 th August	Cremorne Community Room, Jean Darling House, Milmans Street, SW10 0BY
Tuesday 7 th August	Portobello Clubroom, Portobello Court Estate, Portobello Road, W11 2DL
Wednesday 8 th August	Frinstead House Club Room, Freston Road, Silchester Estate London W10 6TZ
Thursday 9 th August	Swinbrook Clubroom 145 Acklam Road, W10 5YU
Monday 13 th August	Henry Dickens Community Room, Henry Dickens Court, St Ann's Road, W11 4DS
Tuesday 14 th August	Worlds End Estate Club Room, 16 Blantyre Street, World's End Estate, SW10 0DS
Wednesday 15 th August	Kensal Resource Centre, Adair Road, W10 5EA
Thursday 16 th August	Board Room, 346 Kensington High Street, W14 8NS

Agenda Item 4
RBKC Annual Report

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA**HOUSING AND PROPERTY SCRUTINY COMMITTEE****12 JULY 2012****REPORT BY THE DIRECTOR OF HOUSING AND TOWN CLERK AND
EXECUTIVE DIRECTOR OF FINANCE****REPORT ON TMO PERFORMANCE 2011/12 AND TMO
PERFORMANCE AGREEMENT 2012/13**

The purpose of this report is to introduce two documents; the TMO Performance Review 2011/12 that considers RBKC Tenant Management Organisation's (TMO) performance against a range of indicators and audits for 2011/12 and the TMO Performance Agreement for 2012/13 which sets out the performance expectation for the coming year.

FOR INFORMATION**1 INTRODUCTION**

- 1.1 The management of the Council's housing stock is delegated to the TMO through the Modular Management Agreement. The monitoring framework looks at the activity and achievements of TMO through a suite of performance indicators (PIs) and programme of audits, and a higher level overview of projects and initiatives based on an annual, medium and longer term basis which meet both organisations' corporate priorities, government policy and residents' wishes.
- 1.2 In Appendix 1 of this report (page 5) the framework is used to look back at the performance of the last year in the Annual Review 2011/12 against the key priorities set out in the Performance Agreement for 2011/12 (and updated in the six month report to the Scrutiny Committee on 10 November 2011). The second part of the report, Appendix 2 (page 21), the Performance Agreement 2012/13, looks at the work programme and priorities for the coming year and sets out the performance targets that the TMO is expected to achieve during the year.

- 1.4 The Performance Agreement for 2012/2013 which the Council will utilise in monitoring the TMO has now been agreed with the TMO. Monitoring of the Agreement will take place quarterly and will be reported to regular meetings with the Director of Housing and TMO Chief Executive. Progress against the Performance Agreement will be reported at the end of quarter two to the Cabinet Member for Housing and Property and to Scrutiny Committee.

2 TMO PERFORMANCE 2011/12

- 2.1 Appendix 1 gives an in-depth over view of the performance and joint working. In brief the TMO achieved the targets on nine of the twelve PIs which is encouraging. These include repairs, re-lets, leasehold collection rates and longer term rent arrears collection. Rent collection rates missed the target by 0.6%, whilst two of the capital works PIs (Decent Homes and Energy Efficiency), which did not achieve their targets for a second year, reflect the issue of limited capital available for investment in the stock.
- 2.3 The audit programme shows one substantial and eight satisfactory assurance levels. There are a further two audits in draft. All but one of the audits are considered medium risk by the Council's audit team. The responsive and void repairs were considered high risk because the contractor was not achieving the correct level of post inspections and this required more robust monitoring. Subsequently additional scrutiny was imposed but as para 5.2 (Appendix 1) describes the contractor has now terminated the contract.
- 2.4 Other activities include:
- Joint working on the Business Change project, constituted to ensure the organisations were prepared for Self-financing, to look in depth at Asset Management projects such as regeneration of the Silchester Estate and Hidden Homes and to provide greater efficiencies and value for money from the service
 - the TMO's review and refresh of its Business Plan
 - Award of housing management contract for the Travellers' site
 - Completion of the digital television programme
 - Involvement in the Council's Worklessness Initiative
 - On-going fire risk assessments
 - A review of complaints processing.

3. CONCLUSION FOR 2011/12

- 3.1 Many areas of the TMO's business have seen growth but it has been a challenging year in terms of dealing with the termination of the repairs contract. There has been expansion in to new areas such as management of the Travellers site and gearing up to deliver new "Hidden Homes" units on Council estates. There has been consolidation of existing business processes such as governance arrangements, resident engagement, financial management, restructuring of teams, investing in staff and adopting new working practices all of which ensures that the TMO is in a good position for delivering the Borough's priorities in respect of housing services and providing wider benefits for residents.

4. THE PERFORMANCE AGREEMENT FOR 2012/13

- 4.1 The Performance Agreement for 2012/13, attached at Appendix 2, sets out the work plan and objectives for the coming year. As well as achieving the targets against the housing PIs and meeting the requirements of the audit programme the TMO will also be contributing to the following projects:

- Introducing new tenancy policies and working within the Council's tenancy strategy
- Managing the changes brought in through Welfare Reform for Council tenants
- Operating within the self financing regime to generate additional capital resources for regeneration and improvement of the stock
- Increased resident involvement with the embedding of the Localism Act

5. CONCLUSION FOR 2012/13

- 5.1 A busy year is expected in terms of investment and growth for both the TMO and the Council. There will be decisions made about the assets, regeneration, sheltered housing and investment in digital services. There will also be changes for residents in terms of welfare reform and tenancy policies. Fortunately the TMO has a very strong core business in terms of tenant focus and scrutiny and delivery of housing services which will put it in a good position to work with the Council on these new opportunities.

FOR INFORMATION

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REPORT ON TENANT MANAGEMENT ORGANISATION PERFORMANCE 2011/12

1. Executive Summary

- 1.1 The TMO's performance across a range of housing services areas has been good this year. There have been challenges but these have been handled effectively and have caused little or no impact on the delivery of services to tenants. Performance against targets and audits has been maintained for a second year running with eight of eleven PIs meeting their targets and all completed audits being satisfactory assurance or above. There have been positive outcomes for a number of projects particularly the Business Change Project, refreshing the Business Plan, fire safety and digital TV.

2. Purpose of the Report

- 2.1 The purpose of this report is to assess the TMO's performance over the last year, commenting on the various aspects of their activity in the borough which contribute to the Council's strategic priorities through performance information, audits and the TMO's Business Plan.

3. Performance Information

- 3.1 The TMO regularly reports to the TMO Board and Executive Team using a dashboard of Performance Indicators which gives clear messages about the performance of different aspects of their service. These PIs also form part of the Council's own Housing PI Suite. The table at Appendix A shows the outturn figures for the TMO PIs for 2011-12 against the performance from the previous two years 2009-10 and 10-11, and where available the upper quartile benchmark from the Housemark ALMO Performance club.
- 3.2 The data shows of the twelve PIs monitored this year, nine achieved the targets set at the start of the year; three PIs did not achieve the targets. Two of these are in relation to capital works (Decent Homes (NI 158) and Energy Efficiency (L4101)) which are both dependent on the level of capital investment. It should be noted that the capital programme (L4123) achieved a spend of 98.7% last year. The issue of funding for Decent Homes and energy efficiency will be addressed in the Performance Agreement for 2012/13. The rent collection and arrears recovery PI (L4103) has been affected by the rent increases however the TMO officers are managing to control high level rent arrears and preventing mid-

level arrears as demonstrated by PI L4104, which is at its lowest level since the PI was introduced in 2005/06.

- 3.3 The repairs PI was changed last year to reflect the residents' wishes to see a First Time Right PI. This has been monitored and the 90% target achieved but the TMO has raised concerns about the quality of the data coming from their contractor, Morrisons. This PI will be suspended until the monitoring and calculations methods can be addressed with the replacement repairs contractor.
- 3.4 Despite the issues with Morrisons the void turn around and re-let times have continued to improve. PI L4108 is now just below the target at 23.95 days. This has been achieved through weekly review meetings identifying issues before they impact on performance. The Home Ownership PIs in respect of collection of service charges and major works have all achieved and exceeded their targets.
- 3.5 The satisfaction survey is undertaken on a bi-annual basis so no survey was carried out this year. However the TMO in Touch survey that was carried out in the later part of 2010, reported in 2011, and received the views of 2200 residents, showed an increase in satisfaction of 13% over the 2008 Status survey. The TMO is currently considering which vehicle to use for a future survey, a generic or tailor-made survey.

4. Audits

- 4.1 The table below shows the audit programme for 2011/12, these have been carried out by the Council for the TMO. Of the fourteen audits conducted the assurance levels given were one substantial, eleven satisfactory and two draft. All audits were shown to be a medium risk with the exception of Responsive and Void Repairs, which was considered high risk because there needed to be a more robust approach to the lack of post inspections by the contractor Morrisons. This issue is addressed further in 5.2.

Audit Title	Assurance Level Provided to Management	Risk to the TMO
Leasehold Income Collection and Debt Recovery	Substantial	Medium
Major Works Backlog	Satisfactory	Medium
Responsive and Void Repairs	Satisfactory	High
Lancaster West Estate	Satisfactory	Medium

Cavity Wall Insulation Capital Contract	Satisfactory	Medium
Neighbourhood Management	Satisfactory	Medium
Data Security and Electronic Data Management System	Satisfactory	Medium
Capita Housing Application	Satisfactory	Medium
Sundry Heating Capital Contract	Satisfactory	Medium
Garage Lettings	Satisfactory	Medium
Strategic Property Management	Satisfactory	Medium
Capital Programme	Satisfactory	Medium
Services Charges / Major Works	Draft Report Issued to be Finalised	
Rents	Draft Report Issued to be Finalised	

5. Capital Programme & Repairs

- 5.1 In last year's report the Capital Programme spend reported only 83% spend, this year however with improved processes and a level of over-programming included the TMO has achieved a 98.7% spend. Areas of significant spend have been on kitchens and bathrooms (Decent Homes work), including Nursery Lane and Whitchurch House, boiler and lift replacements, fire safety works and number of structural and external repairs.
- 5.2 The TMO's repairs contractor Morrison who have been working in the borough since 2009, served notice of the termination of the repairs contract with the TMO in March this year. The Company used a break clause in the contract to end the relationship; this was on the back of the TMOs on-going concerns about the levels of service being provided. The TMO is currently looking to secure a replacement contractor and it has been able to reassure residents, via the website, that the process should not impact on their service.
- 5.3 As part of the TMO's Business Plan the team that manages the Capital Programme has been re-structured over the last six months. This is expected to provide further opportunities for improvement and efficiencies, in particular supporting the Council with its future decisions around asset management of the stock.

6. Business Change Project

- 6.1 This project was initiated in 2011 to ensure that the outcomes from the Stock Finance and Development Project were implemented, mainly that the HRA did not go in to deficit. This was achieved by increasing rents to the transitional rent level and identified efficiency savings. The project group has met regularly to ensure that there was a shared commitment to the three workstreams and this has resulted in some significant achievements.

6.2 Self financing

- 6.2.1 To achieve this, an adjustment of each local authority's historical debt has taken place, so that the level of debt supported by an authority is sustainable from its own resources. This resulted in the Royal Borough making a capital payment of £24.96 million to central Government on 28th March 2012. The new regime gives local authorities more certainty over the sources of funding available to the Housing Revenue Account but also transfers responsibilities to local authorities e.g. local authorities must meet all capital financing charges which were previously met through housing subsidy.
- 6.2.2 As part of the 2012/13 rent setting report, a Business Plan for the next five years was published. This suggested that the HRA was not expected to go into deficit and indeed surpluses of approximately £24 million could arise at the end of the first five years of the new arrangement. Officers are currently developing a Capital Plan which will look at the future spending needs within the HRA. This will also look at options for funding such spending requirements. The intention is to present the Capital Plan to the Scrutiny Committee for discussion later in the year.

6.3 Asset Management

- 6.3.1 The Council's focus this year has been upon reviewing opportunities within the HRA stock to provide additional new homes. This is known as the 'Hidden Homes' programme. The TMO has initiated work in the role of developer on three sites in this programme expected to deliver between 12-14 homes, in order to deliver against the Council's ambitions to sustain affordable housing, whilst developing its own capacity to expand into new areas of work.
- 6.3.2 The TMO has led on consultation with residents across three sites, for the delivery of many new homes, and is procuring consultants and contractors to deliver works over the coming months. This will add much-needed new assets to the Council's stock.

6.3.3 Additionally the TMO is delivering investment into Grenfell Tower, derived from the disposal of vacant basement spaces at Elm Park Gardens, £ 6m of the receipts will go in to Grenfell Tower which will extend the life of the block, greatly improve its fuel efficiency and the quality of life of residents, and support the wider regeneration of the area alongside the development of a new Academy beside it.

6.3.4 The TMO has been assisting the Council to review the best use of all of its stock, and consider whether there are other blocks, estates and properties within the HRA which would benefit from targeted investment, regeneration, or disposal. Examples include the consideration of use of disused car parking areas on estates to generate income for the HRA, to support wider investment in the housing stock.

6.4 Value For Money

6.4.1 This workstream focuses on delivering savings and identifying further efficiencies. Achievements include:

- The identification of a further reduction in the TMO management fee (400k) which will be effective from 2012/13
- 4 long term contracts procured (lift, central plant and grounds maintenance and cyclical decorations)
- Review of Assets, Investment and Engineering team
- Review of all SLAs between the Council and TMO to ensure they are fit for purpose and provide value for money
- Electronic Document Management System installed
- Opening of the Blantyre office in the south of the borough
- Expansion of the Community Alarm Service project
- Successful award of Stable Way Travellers Site management contract
- An improved financial outlook from the work done on savings and the rent increases

6.5 The project meetings have now been incorporated in the Joint Management Team meetings which are co-chaired by the Director of Housing and the TMO's Chief Executive. The Business Change project forms the first part of the agenda and strategic planning forms the second half of the meeting. These meetings are held every three months. Attached at Appendix B is a schedule of the current programme of meetings between the Council and the TMO.

7. MMA

7.1 The Modular Management Agreement has been reviewed over the last year as a requirement of the Agreement itself. The review has looked the terms and content of the document to ensure that the

agreement reflects current legislation, procedures and working practice. It was reported in the mid year review that the MMA review has been affected by staff capacity issues and so has not yet been fully drawn to a conclusion. No additional changes have been identified to those reported previously, which were the allocations process being brought back in house to the Borough, the asset management function included and service level agreements reviewed and updated. It is hoped the work will be finalised shortly and confirmed through the key decision reporting process.

8. Business Plan

8.1 The TMO's Business Plan 2009/14, which set out the ambitions for the TMO in a number of service areas, was included in the Performance Agreement for 2010/11. This year the TMO has revisited the Business Plan (which is currently in draft) in order to review progress and re-focus given the legislative changes to social housing provision. The key areas that the 11/12 Performance Agreement focussed on were:

8.2 Keeping customers and residents centre stage

- The Resident Engagement Team has been restructured
- A resident engagement strategy is in place
- 16 Get On Board roadshows were held to increase engagement
- Resident engagement is a standard target for staff performance
- The customer service standards were reviewed
- The caretaking service was reviewed
- First 100% audit of tenanted properties to uncover tenancy fraud

8.3 Being competitive and increasing income

- Winning the contract for Stable Way
- Over £ 1m savings for 11/12 (see 6.4 above)
- Review of parking with the expectation of increasing income
- Increase or maintenance of collection and arrears rates

8.4 Developing organisational competence

- Governance Improvement Plan in place
- Full time Company Secretary in post
- Leadership and Staff behaviours for annual review process
- Corporate Development Programme

8.5 The re-focussed Business Plan sets out the risks, strengths, weakness and opportunities now identified as part of the review in the current economic and political climate, and it restates the TMO's values and priorities which accord with the Council's Housing

Strategy namely improving the quality of the housing and the lives of people who live there. The document will be available shortly from the TMO's website <http://www.kctmo.org.uk/>

9. Tenant Regulation

9.1 The introduction of the Localism Act in 2012 is still bringing with it further changes to the working environment for councils and social housing providers. The changes to the regulator have been implemented with the Homes and Communities Agency (HCA) now replacing the Tenant Services Authority (TSA). The HCA has recently issued guidance on Regulating the Standards, which is their approach to ensuring housing providers meet the Housing Standards originally set out by the TSA (see below):

- Tenant Involvement
- Home – the quality of the homes and the repairs and maintenance
- Tenancy – allocating homes
- Neighbourhood and Community –Value for money
- Governance and financial viability – this does not apply to local authorities only housing associations

9.2 The Council and the TMO worked closely together to produce the Annual Report to Tenants last year which demonstrates how the both organisations had met the standards and updates the local offer to tenants. This report can be found at:
<http://www.rbkc.gov.uk/pdf/Annual%20Report%20to%20Tenants%202011%20FINAL.PDF>

9.3 The Council and the TMO are still working through many of the changes and this is discussed further in the Performance Agreement 12-13, however because of the nature of the TMO the tenant regulation and scrutiny required very little adjusting because the TMO is tenant led. This is true of the requirement to have available tenant scrutiny of complaints. It was agreed by the Council, in discussion with the TMO, that it will use the existing complaints structure to provide this scrutiny. All tenants have the TMO's complaints process, the Council's complaints and member's enquiry process and referral to the ombudsman available to them.

9.4 Complaints

- A new complaints procedure was introduced on 1st April 2011 following consultations with both TMO residents and staff. The complaint response turnaround target was also increase from 80% to 90% and the complaint module of the Electronic Document Record Management System (W2) was launched.

- Between 1st May 2011 and 31st March 2012 the Complaints Team received and registered 603 service requests and complaints. There were 285 complaints, (stage 1, 2, 3, and Ombudsman investigations), and 318 service requests (stage 0).
- There were 246 stage one complaints of these 71% were responded to within target, 37 of these were escalated to stage two where 75% met the Target. One stage three complaint and one Ombudsman both met the target, 100%.
- Out of the 246 complaints that were registered, 15% of these cases went on to become a stage two, 3% escalated to stage three and one complaint was investigated by the Ombudsman. The escalation target is 20%.
- The stage one complaints represent a slight increase from last year when 219 complaints were received. The increase may be due in part to the improved complaints policy and systems for logging complaints. However the percentage escalated to the next stage has reduced considerably with 18% going to stage two and 28% of these (11 complaints) went to stage three in 2010/11
- The majority of complaints and service requests received related to services within the Customer Services Directorate where there were 523 registered cases. Complaints about repairs were the reason for the highest number of complaints with 89 cases (over 38,000 repair jobs were carried out), followed by the Customer Services Centre who received 43 cases.

10. Lancaster West Estate Management Board (EMB)

- 10.1 The TMO has continued to work with the Lancaster Estate Management Board, providing housing management services in accordance with the Modular Management Agreement the EMB holds with the Council. The working relationship has developed and been very positive; the TMO in conjunction with the EMB Board has successfully appointed a new area manager and there has been further work around restructuring of the area team to support the work of the Board and deliver cost effective housing services.

11. Silchester

- 11.1 The TMO has worked closely with the Housing Regeneration Team to take this project forward in a number of operational areas. This includes advising Peabody with regard to their proposals for

improvement on the ground floor of Frinstead House, changes to parking arrangements and the green area between Frinstead and Markland House. This joint working has laid a good groundwork for the closer management which will be needed through the next stage of the process. The TMO has also successfully begun to find alternative garage spaces for those renting garages and parking spaces which form part of the development site. KCTMO has also prioritised capital work to the Silchester Estate for both the mainstream capital programme and for a project as part of the Housing Regeneration Programme. This will enable improvements to parts of the Silchester Estate which are not directly affected by the regeneration scheme, thus contributing to a general improvement of the estate.

12. Health and Safety

- 12.1 Work has continued in the area of fire safety. Specifically, the programme of Fire Risk Assessments (FRA) throughout the entire housing stock has now been completed. Additionally, significant progress has been made with implementing the recommendations from the high and medium risk programme. In particular, the project to address fire safety issues at Trellick Tower successfully concluded and also the flat entrance door replacement programme for tenants' doors which do not meet fire safety standards is nearing its conclusion.
- 12.2 Other health and safety highlights include the reduction in employee accidents, the successful exclusion of pirate radio operatives from the roofs of our high rise blocks, top quartile performance again on gas servicing, and a programme of installation of carbon monoxide detectors in all dwellings with gas appliances / gas supply has been initiated. Full details are available in the TMO's Annual Health & Safety Report.
- 12.3 The TMO is also linked in as part of the Council's business contingency/continuity arrangements, including preparations for the Olympics.

13. Worklessness

- 13.1 The TMO is a member of the RBKC Worklessness Network, and of the newly developed Housing and Worklessness Steering Group. This group agrees the project co-ordinator's workplan for the Housing and Worklessness project. The project is designed to help

join up various worklessness projects already existing in the borough with the various social housing providers, including the TMO as the council's managing agent.

13.2 The TMO is working closely with the Housing and Worklessness project to prepare its forthcoming work around employment, training and young people, and has started building partnerships with Nova New Opportunities and Family Mosaic who worked together to offer training courses and employability support to residents on the Henry Dickens Estate at the end of May 2012. The TMO additionally contributes indirectly to the Worklessness agenda by providing training courses for residents on repairs, cooking and committee skills, as well as providing in-kind space for Catalyst Gateway's Pathways2Progress programme which has supported both Catalyst and TMO young residents to access mainstream provision and prepare for work.

13.3 Worklessness will be the focus of the second year of the TMO's successful 'Get on Board' estate roadshows. These are in the early planning stages, but will involve service providers in the borough coming together at events held across several estates managed by the TMO, in both the north and south of the borough.

13.4 The TMO has also worked with Newmanfrancis in partnership with Prentis Solutions on the neighbourhood workers programme. Two residents have been appointed and have joined the programme which provides an integrated programme of practical experience, resident to resident learning and formal accredited training for residents wanting to train as community workers. We additionally have a local resident funded by the London Apprenticeship scheme working in the TMO.

14. Digital TV

14.1 The digital TV programme started in January 2011 after a programme of consultation and over 97% of the project was completed before the switchover with listed building permission still in the pipeline for Kensal House. Over 81% of residents responded to have new sockets installed in their homes (slightly above average for digital installations) and overall there have been relatively few complaints. The switch to Digital TV in London which was phased in April caused a slight increase in calls to the call centre but overall the project has had a positive outcome.

15. Conclusion

15.1 Whilst it has been a challenging year in terms of dealing with the repairs contract, other areas of the business have seen considerable

growth. The TMO has gone from strength to strength in terms of its own development; there has been expansion in to new areas such as management of the Travellers site and involvement in Hidden Homes. There has been consolidation of existing business such as governance arrangements, resident engagement, worklessness and both financial and staff management, all of which ensures that the TMO is in a good position for delivering the Borough's priorities in respect of housing services and providing wider benefits for residents.

TMO PI Table – 2011-12
Appendix A

PI Ref	Title	Good is?	Vital Sign	Outturn figure 2009-10	Outturn Figure 2010-11	Outturn figure 2011-12	Target 2011-12	Upper Quartile benchmark	Trend from last year	Target met	Future targets	Commentary
NI 158	% non-decent council homes	Low	Y	1%	3%	5%	1%	0%	↑	☹️	10%	Whilst the areas targeted have continued to show a higher proportion of non-decent related issues these are being offset by progressing programmes of work. Any percentage reduction of Non Decent Homes is dependent upon the availability and limit of capital funding investment
L 4101	Energy efficiency of housing stock	High	N	71	66.4	66.5	69	77	↑	☹️	65	SAP rating has remained fairly static since the last quarter. Present funding constraints and the need to prioritise available capital investment on Health and Safety matters have resulted in no significant change to SAP value in 2011/12
L 4103	Rent collection and arrears recovery: rent collected	High	Y	96.6%	97.4%	97.0%	97.6%	98.49%	↓	😊	97.65%	Following an average rent increase of 8.73%, there was a small reduction in the level of rent recovery
L 4104	Rent collection and arrears recovery: seven weeks arrears	Low	N	7.71%	6.19%	5.79%	6.00%	5.3%	↓	😊	6%	Met the target for the year reflecting the work the Income Team has undertaken in controlling high level arrears and preventing mid-level arrears from increasing. The final outcome of 5.79% is the lowest figure recorded since we began monitoring this PI in 2005/06.
L 4108	Average time to re-let local authority	Low	Y	33	26.7	23.95	24	25	↑	😊	24	Performance improved in the final two quarters, reaching the year to date target in the final month. The monthly target was

16

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	housing (days)											exceeded for every month from October onwards. The voids team continue to meet weekly to review current voids and highlight any issues impacting on performance before they have a negative impact on outturn.
L 4123	Proportion of approved housing capital investment programme spent	High	N	95.02%	83%	98.7%	100%		↑	😊	100%	The approved budget for 2011/12 was £8.660 million. Outturn expenditure at the end of March 2012 was £8.544 million i.e. an underspend of £116,000 which equates to approximately 1.3% of the overall budget.
L 4146	Collection rates - Leaseholder Service charges	High	N	112.80%	112.07%	107.45	105%		↓	😊	102.17%	This higher percentage achieved equates to debts reducing by a further £350,000. This is now the third consecutive year that the targets have been met and exceeded, reducing the overall debt by nearly £4 million.
L 4147	Collection rates - Leaseholder Major Works	High	N	136.80%	294.44%	271.60%	165.00%		↑	😊	137.12%	This is now the third consecutive year that the targets have been met and exceeded, reducing the overall debt by nearly £4 million
L 4148	Arrears collection - Leaseholder Service Charges	High	N	382,998	381,994	269,666	191,000		↓	😊	-	As above
L 4149	Arrears collection - Leaseholder Major Works	High	N	604,609	1,281,825	932,881	693,000		↓	😊	-	As above
H2	Repairs: Right first time	High	Y	-	-	94.20%	90.0%	96.8%	new	😊	-	Although we are reporting performance of 94.20% there were issues with data quality and sample groups by Morrison. Following the contract termination notice from Morrison this PI is suspended until new arrangements are in place.

H4	Local authority tenants' satisfaction with housing management services.	High	N	66%	79%	NA				-	Status survey not undertaken in 2011-12. A decision regarding whether to participate is due by Quarter 2 (2012-13)
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Meetings with the TMO

Appendix 2

	Meeting	Frequency	Council Attendees	TMO Attendees
1	Councillor's Digest High level discussion of policy, strategy and performance	Monthly	Cabinet Member for Housing, Director of Housing	Chief Executive, Director of Customer Services and Head of Strategy and Engagement
2	TMO / Director of Housing One to one discussion of policy, strategy and performance	Monthly	Director of Housing	Chief Executive
3	Joint Management Board incorporating Business Change Programme Board Project group discussing strategic issues, VFM, Income, Capital projects, Self Financing	Quarterly	Director of Housing, Senior Management Team members and Project Managers as necessary	Chief Executive, TMO Executive Team, Projects Manager and Coordinators
4	Multi-agency ASB meeting Operational group	Monthly	Noise and Nuisance Service	Neighbourhood Manager (South)
5	Complaints meeting Operational group	6 weekly	Cabinet Member for Housing	Complaints Team
6	Health and Safety Main Coordinating Committee Operational group	6 weekly	Safety Liaison Officers from each Business Group	Health and Safety Advisor
7	TMO/RBKC Voids and Allocations liaison Operational group	8 weekly	Housing Needs Group and Housing Commissioning Team	Assistant Director of Neighbourhood Service, Head of Repairs and Customer Service and Voids Officer
8	TMO/HRA Performance meeting Strategic and performance	Quarterly	Head of Housing Commissioning, General Needs Housing Commissioning Manager	Head of Strategy and Engagement, Director of Customer Services

	discussion			
9	Regeneration Project Group Operational	Monthly	Director of Housing, Strategy and Regeneration Manager,	Director of Customer Services
10	Hidden Homes	Monthly	Strategy and Regeneration Manager, Deputy Head of Planning Development, Property Services Development Surveyor	Director of Assets and Investment, Director of Customer Services
10	Homeownership Performance Operational group	Quarterly	General Needs Housing Commissioning Manager	Head of Home Ownership
11	Housing Benefits Operational group	Quarterly	Customer Services Group Leader	Rent Income Manager
12	Legal Services meeting Operational group	Quarterly	Senior Solicitor (Litigation) and the Business Manager	Projects Manager and Coordinator
13	Legal Services Annual meeting Strategic and performance group – SLA	Annually	Director of Legal Services, Chief Solicitor, Senior Solicitor (Litigation) and the Business Manager	To be agreed
14	Tenants Consultative Committee Strategic meeting	Bi-annually	Cabinet Member for Housing, Director of Housing	Chief Executive, Director of Customer Services and Head of Strategy and Engagement
15	Annual Review Strategic and performance group – past year's performance	Annually	Cabinet Member for Housing, Director of Housing, Head of Housing Commissioning	Chairman of the TMO Board, Chief Executive, Director of Customer Services, Head of Strategy and Engagement Director of Finance
16	EMB performance Strategic and performance	Quarterly	Head of Housing Commissioning, General Needs Housing Commissioning Manager	Chairman of EMB and other members Assistant Director of Neighbourhood Services

Appendix 2

TMO PERFORMANCE AGREEMENT 2012/13

1. Executive Summary

- 1.1 This year the Council expects to see a continued development of the TMO's core business. There are also challenges and opportunities around asset management and investment in the stock and close working will be essential. In terms of performance monitoring and audits there is an expectation that the considerable work the TMO has undertaken to ensure good results will continue. Residents will see changes to tenancy policies and welfare reform, as well as regeneration initiatives so it is important that resident engagement in the form of consultation, communication and availability of information are timely and accessible.

2. Purpose of Report

- 2.1 This report sets out how the performance of the TMO will be monitored over the next year in accordance with the Council's priorities and national and local drivers. There is a lot work to be undertaken to embed the legislative changes brought in by the Localism Act, there is looking ahead at the investment in the Council stock in the new financial HRA regime and making best use of the stock, whilst delivering services that suit the needs and aspirations of the residents. As well as delivering on partnership and project work scheduled throughout the year the TMO will also continue to work with the Council within the agreed performance framework as set out in the MMA.
- 2.2 This agreement will be reviewed and a mid-year progress report produced following the end of the second quarter.

3 Key Areas of Performance

3.1 Performance Indicators (PIs)

The Performance Indicators have been refreshed this year to provide a meaningful suite. They are a mixture of previous national indicators, best value and local PIs which together demonstrate the levels of activity and health of the organisation and can be used for benchmarking purposes. The suite which forms part of the Council's Housing PIs is attached at Appendix B.

- 3.2 As stated in the Annual Review the TMO was unhappy about the quality of the data collection for the First Time Right PI, so this year

we have agreed that the "Appointments made and kept" PI HS 1 will be used as the Repairs PI until the new contractor is in place and the data quality in respect of repairs reporting can be verified. The arrears collection PIs have also been deleted because these figures did not provide an indication of performance as most leaseholder are on payment plans, however the remaining two leasehold PIs include a target for arrears collection.

- 3.3 The TMO collects a wider range of PIs that it reports to the Board and to tenants through their website. These can be viewed at http://www.kctmo.org.uk/subpage.php?main_id=8&sub_id=21&page_id=37

3.4 Audits

The draft audit programme for next year is set out below:

Service Area	Key Client	Manager	Audit
Financial Services			
Key Systems			
Financial Services			
Accounts Payable - Managed Accounts	Anthony Parkes	Rupa Bhola	Full Review
Accounts Receivable - Managed Accounts	Anthony Parkes	Rupa Bhola	Full Review
General Ledger – TMO Managed Accounts System	Anthony Parkes	Rupa Bhola	Full Review
Accounting Systems - TMO Company Great Plains	Anthony Parkes	Rupa Bhola	Full Review
Home Ownership			
Leasehold Consultation	Anthony Parkes	Daniel Wood	High Level Review
Leasehold Income / Debt recovery	Anthony Parkes	Daniel Wood	High Level Review
Customer Services			
Key Systems			
Repairs inc Voids Management and Larger Repairs / Decants	Sacha Jevans	Stuart Thompson	High Level Review
Others Audits			
HR and Organisational Development			
Complaints	Lornette Pemberton		Full Review
Fire Risk Assessments	Lornette Pemberton		Full Review
CEO			
Corporate Governance	Robert Black	Angela Bosnjak-Szekeres	High Level Review
IT			

Network Security	Anthony Parkes	Nurul Miah	Full Review
Server Infrastructure	Anthony Parkes	Nurul Miah	Full Review

4. Impact of the Localism Act

4.1 The Localism Act has brought in a number of changes to housing policy. A brief summary of the changes that impact on TMO tenants are listed below:

4.2 **Tenancy Strategy** – The Borough has to produce a tenancy strategy setting out how social housing providers will deliver housing in the borough. A draft Tenancy Strategy has been consulted widely across the borough. There are five broad principles that will be adhered to:

- Continuing to meet housing need and supporting vulnerable people
- Ensuring appropriate use of housing and tenancy options
- Promoting affordable housing options
- Promoting mobility and reducing under occupation and overcrowding
- Supporting and incentivising work and training

Flexible tenancies, which includes fixed term tenancies are being introduced as part of tenancy options by Registered Providers. The Council are currently formulating a Tenancy Policy for the Council's own stock which will be managed by the TMO. It is anticipated the policy will be in place by early 2013, with new TMO tenancies issued for fixed terms.

4.3 **Housing Ombudsman and Complaints** – As stated in the Annual Review the Act introduces an opportunity for tenants to be involved in complaints. The current TMO and Borough's complaints process are considered robust enough to comply with the Act, with planned necessary changes to take place in April 2013.

4.4 **Welfare reform**– The introduction of Universal Credit will affect over a thousand families living in Kensington and Chelsea. This reform will bring benefit caps, streamlining of processing through online direct payments and a stronger work incentive. The TMO is the largest social housing provider in the borough so some families living in their stock will see changes to their benefits and will need support to manage this.

4.5 **Mutual exchange and assignment** – The Act refreshes the Mutual Exchange scheme. The Borough already uses the HomeSwapper system but the procedures need to be reviewed and promoted to

TMO and other social housing tenants. The Borough also manages its own online mutual exchange website, which will continue.

- 4.6 **Succession and death of a tenant** – The current tenancy agreement accords with the succession of a partner only, however the TMO's policy needs to be updated for applying to recover possession of the property. As a result of the introduction of fixed term tenancies, a new tenancy agreement will need to be written.

5. Investing in the Borough's Stock

- 5.1 During 2012, a Capital Plan for the HRA is being developed. This will include consideration of the recent stock condition survey which identified that additional capital spending in excess of £50 million may be needed over the next five years. The projections are currently being refined. This shortfall partly arises from the fallout of the Decent Homes funding. In 2007/08 the capital works and repairs programme was 18m, in 2011/12 it had reduced to £ 8.5m.
- 5.2 Following the introduction of the Self-Financing regime in April 2012, a Business Plan for the next five years was published. This suggested that the HRA was not expected to go into deficit and indeed surpluses of approximately £24 million could arise at the end of the first five years of the new arrangement. (These calculations were necessarily based on a number of assumptions which could easily change over the period). This surplus may provide an opportunity to fund additional capital expenditure.
- 5.3 Under Self-Financing, local authorities are being constrained in the level of debt that can be incurred. Our debt ceiling amounts to £221m. Given our current level of debt, the borough can only borrow a further £11.4 million. Other sources of funding will therefore need to be found if the capital spending levels are to increase to the levels suggested in the stock condition survey.
- 5.4 The TMO has been asked to produce a report showing the level of investment required to achieve a minimum standard - to ensure they are wind and water tight, meet legal and legislative requirements and meet the Decent Homes standard. The TMO is also using information it holds on the asset management database Keystone to look at increased standards of provision should more funding be available.
- 5.5 The Capital Plan will suggest future spending needs within the HRA and options for funding such spending requirements. The intention is to present the Capital Plan to the Scrutiny Committee later in the year.

5.6 Two project groups with representatives from both the TMO and the Council have been set up to investigate the future investments in the Borough's stock:

- The Asset Management project focuses on better understanding the investment needs of our stock (with the stock condition survey forming a central part of the work), writing and implementing an asset management plan and developing a model for identifying estate regeneration opportunities (both large and small scale) in the borough.
- The Options for Investment project is tasked with identifying options and models for the delivery of investment in our housing stock.

6. Key areas from the TMO Business Plan 2009-2014

6.1 The TMO's Business Plan produced in 2009 has been refreshed in light of all the legislative changes. The five key aims of the plan continue to align with Housing's Service Delivery Plans so ongoing monitoring of the projects will ensure shared goals are achieved. The key aims are:

- Increase resident satisfaction and put customers at the heart of everything we do
- Raise housing standards by delivering quality and accessible services
- Protecting the assets
- Grow our business and maintain financial viability
- Improve organisational capability

7. Modular Management Agreement (MMA)

7.1 The MMA stipulates that there should be a full review of the management function every five years with particular attention to:

- the democratic standards of control and the compliance with the TMO's Rules or Memorandum and Articles of Association;
- the standards of implementation of the Equal Opportunities Policy and Procedures;
- the general efficiency of the TMO's administration and the use of the TMO's Key Performance Indicators to demonstrate the achievement of (or failure to achieve) the performance standards required by this Agreement (see clause 1);
- the TMO's standards of financial control and its financial viability (see Chapter 5); and
- Good tenancy management (see Chapter 6).

- 7.2 In the second quarter of this year a five year review will be undertaken by the Council using the above set of criteria. The review will be tailored to take in to account the Improvement Plan that was put in place in 2008/09, and will demonstrate the progress that the TMO has made since that time and will identify any gaps or areas for development. The review will also take account of the new regulatory regime.

8. Lancaster West Estate Management Board

- 8.1 The work to finalise the EMB's MMA will continue this year once the TMO's MMA review is complete. As a result the monitoring arrangements between the EMB, TMO and Council will be refreshed.

9. Health and Safety

- 9.1 Work to progress the remaining recommendations from the FRA Action Plans and also, where necessary, to review these assessments will be given priority in the coming year.
- 9.2 The programme of installation of carbon monoxide detectors in all dwellings with gas appliances / gas supply will conclude in coming period, and there will be continued work to inspect, sample and risk assess water quality to ensure legionella is prevented and legislation complied with, ongoing work to survey, sample, encapsulate / remove asbestos containing materials as necessary to control risk and ensure resident, staff and contractor safety.

10. Digital access

- 10.1 The Government has identified that residents in social housing do not have the same access to broadband and digital services as those in private and owner/occupied housing. Access to the services will provide efficiencies through delivery of e-government services and increase educational and working opportunities. To increase inclusion for tenants there is a Tri-borough Community Budgets Project being scoped and initiated now. The project is being led by Westminster Council and will look at business models and options to provide the most effective access to the internet in tenants' homes. The TMO will be working alongside the Council to ensure that the Kensington and Chelsea residents will benefit from this initiative.

11. Sheltered Housing Review

- 11.1 The TMO currently manage five sheltered housing schemes. They also provide property management to one extra care housing scheme in

the borough, from which Adult Social Care deliver services. None of the schemes meet current day design and service standards or provide the density of units that would be required to meet strategic housing objectives for the future.

- 11.2 At these sites and several other social housing providers sites there is an opportunity to develop the accommodation for older people to a much higher standard. A project will be started this year to look to increase the number and standards of units through redevelopment. The TMO will be fully engaged in shaping and delivering this project.

12. Hidden Homes

- 12.1 Sites have been identified for conversion to provide new homes for Council rent. These include a void basement area of Holmefield House on Hazlewood Crescent in Golborne Ward, the lower floors of Grenfell Tower, and vacant former office space in 1-3 Greaves Tower on the World's End estate in Cremorne Ward.
- 12.2 Over the course of the year, the TMO must engage with the residents on both estates, to discuss with them the potential benefits of these developments, and any issues that they may create for the existing communities. The construction work will be led by the TMO with funding agreed from the Council's HRA resources.

13. Trellick Tower

- 13.1 Work is currently being undertaken by the Council to explore how best to invest in Trellick Tower and to regenerate the areas around the base of the listed building. Consultation with residents has started about what is wanted for the area and an architectural study is being procured. The TMO will need to work with the Council to develop proposals for the area and to assist in consultation with residents as the project progresses.

14. Conclusion

- 14.1 An exciting year ahead with a number of projects that focus on the future. There is the potential to invest in the stock following the implementation of Self-Financing, there is new legislation to embed which will impact on residents and there are new prospects of development and growth. The sharing of information and skills between the Council and the TMO will be essential to make the most the current environment, but because the TMO's structures and core business have continued to be solid it is in a good position to be able to make the most of the forthcoming opportunities.

Appendix B

2012-13 HOUSING PERFORMANCE INDICATORS				How is performance measured and reported?								
Ref	Title	Performance Manager	Data Manager	Good is?	PI type	Former NI?	Vital Sign	LAP S	11/12 Target	12/13 Target	Explanation for change	RETAIN, AMEND, DELETE for 2012-13?
HS1	Number of appointments kept	Amanda Johnson Yvonne Birch (TMO)	Siobhan Bowman	High	2	N	Y	N	98%	98%	Existing target for responsive repairs contract.	New
H 4	Local authority tenants satisfaction with landlord services (NEW)	Amanda Johnson Yvonne Birch (TMO)	Siobhan Bowman	High	4	N	N	N	75%	TBC	A decision is pending from KCTMO on whether to participate in the HouseMark STAR survey, following the end of STATUS.	Retain for next year - TMO is looking at the vehicle for collection (use Housemark Star survey?)
H 20	Percentage non-decent council homes.	Amanda Johnson Yvonne Birch(TMO)	Siobhan Bowman	Low	5	NI 158	Y	N	1%	10%	Based on projections from Keystone system - based on numbers of properties falling out of decency during year and properties either brought into decency or maintained via works undertaken through Capital Programme.	Retain - TMO scorecard and benchmarking PI, part of new regulatory framework

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L 4101	Average energy efficiency rating of housing stock.	Amanda Johnson Yvonne Birch(TMO)	Siobhan Bowman	High	5	N	N	N	69	65	As above.	Retain - as can be used as a measure of need for funding
L 4103	Rent collection and arrears recovery: rent collected.	Amanda Johnson Yvonne Birch(TMO)	Siobhan Bowman	High	2	N	Y	N	97.60%	97.65%	Based on a reduction in arrears of £100,000 from week 52 figures.	Retain - TMO scorecard and benchmarking PI
L 4104	Rent collection and arrears recovery: seven weeks arrears.	Amanda Johnson Yvonne Birch(TMO)	Siobhan Bowman	Low	2	N	N	N	6.00%	6%	No change to existing target.	Retain - TMO scorecard and benchmarking PI
L 4108	Average number of days to re-let local authority housing.	Amanda Johnson Yvonne Birch(TMO)	Siobhan Bowman	Low	2	N	Y	N	24	24	No change to target. Consideration was given to lowering it but the decision was made to retain following the Morrison contract termination and the possible impact.	Retain - TMO scorecard and benchmarking PI
L 4123	Proportion of approved housing capital investment programme spent.	Steve Mellor	Roberto Cusano	High	1*	N	N	N	100%	100%	No change to existing target.	Retain - TMO scorecard and useful financial measurement

L 4146	Collection rates - leaseholder service charges.	Amanda Johnson Yvonne Birch(TMO)	Daniel Woods	High	1*	N	N	N	105%	102.17%	Based on collecting all 2012-13 service charges (£3,720,338) plus 24.4% (£80,698) of arrears brought forward.	Retain - TMO scorecard and financial measure
L 4147	Collection rates - leaseholder major works.	Amanda Johnson Yvonne Birch(TMO)	Daniel Woods	High	1*	N	N	N	165%	137.12%	Based on collecting all major works charges for 2012-13 (£1,077,422) plus 19.74% of arrears brought forward (£400,000).	Retain - TMO scorecard and financial measure

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Agenda Item 5

KENSINGTON & CHELSEA TENANT MANAGEMENT ORGANISATION

BOARD MEETING 26TH JULY 2012

Report by the Director of Financial Services

1. Background

- 1.1 The Financial Statements for the year ended 31st March 2012 are attached for together with the Final Audit Finding Report for consideration by the Board. I will be making a presentation on the statements at the Board meeting.
- 1.2 The Finance Audit & Risk Committee considered the Financial Statements and the Final Audit Findings Report on 11th July 2012 with the Internal and External Auditors in attendance to present their reports.
- 1.3 The recommendation of the Finance Audit & Risk Committee is set out in section 4 of this report. The Committee was not quorate with one Resident board member and three other members.

Accounts Preparation

- 2.1 I confirm that the accounts have been prepared in accordance with:
 - UK Generally Accepted Accounting Principles
 - Requirements of the Companies Act 2006
 - Historical Cost Convention
 - Going Concern
- 2.2 The financial statements have been prepared using accounting policies consistently applied with prior years. The main policies are set out on page 10 of the financial statements and relate to:
 - Accounting Convention
 - Going Concern
 - Tangible fixed assets and depreciation
 - Leased assets
 - Retirement benefits
 - Turnover and over operating income
 - Agency Arrangements
- 2.3 The lease for the digital tv contract is treated as an agency arrangement in the accounts and only the fee earned in connection with the arrangement (approximately £1k p.a.) is brought into these accounts. However, the costs of

procurement and the in-house installation manager incurred by 31st March 2012, totalling £148k (2011 - £57k), have been carried forward in debtors and will be charged to RBKC over the life of the lease.

- 2.4 The costs and treatment of the Pension Scheme are set out in Directors Report and Note 14 to the accounts and on page 3/4 of the Final Audit Findings Report. The overall impact of £(29k) is not material on the Profit and Loss account. This compare to a net credit of £3,498k for the previous year when the change from RPI to CPI for uprating future pension liabilities took place.

The turmoil in the financial markets resulted in an increase in the pension liability of £(5,961) compared to the reduction of £9,944k in 2011. These movements in valuation are accounted for in the Statement of Recognised Gains and Losses and dwarf all other figures in these accounts. The overall liability now stands at £11,928k.

- 2.5 The Auditors have requested that the letter of representation includes confirmation that the FRS17 assumptions are reasonable. The auditors requested further information from the actuaries as they consider that the overall effect of the assumptions is conservative leading to a greater increase in the year end liability at 2012 than experienced by other local authority housing companies. The assumptions are however in line with those used by RBKC and reflect a consistent approach with the previous years.

3 Assurance

- 3.1 The following assurance was considered by the Committee:

- Business Plan and Corporate Risk Maps
- Internal Audit reports relating to the TMO accounts:
- External Audit Findings report
- Letter of Representation from Executive Team
- Letter of Statement of disclosure from Board members
- Letter of Support from RBKC

3.2 Business Plan and Corporate Risk Maps

The Business Plan, including Corporate risk Maps has been considered and approved by the Board, Board meetings and at a Board Away day. Risk maps have been prepared for each department and followed through into Service Plans and the Business Plan.

3.2.1 Internal Audit Reports

The following reports relating to the TMO Limited transactions were received during the year:

Name of Audit	Assurance Level
Leasehold Income Collection and Debt Recovery	Substantial
Major Works Backlog	Satisfactory
Responsive and Void Repairs	Satisfactory
Payroll and Personnel	Satisfactory
Neighbourhood Management	Satisfactory
Data Security and Electronic Data Management System	Substantial
Capita Housing Application	Satisfactory
Sundry Heating Capital Contract	Satisfactory
Lancaster West Estate	Satisfactory
Cavity Wall Insulation Capital Contract	Satisfactory
Strategic Property Management	Satisfactory
Capital Programme	Satisfactory
Garage Lettings	Satisfactory

3.4 External Audit Findings Report

There were no significant findings reported by the External Auditors. The Final Audit Findings Report is attached.

3.5 Letter of Representation from the Executive Team

This letter will be signed by the Chief Executive and Director of Financial Services and will mirror the representation letter required from the Board. A draft is included in Appendix A of the Audit Findings Report. The final letter will be signed by the Executive in the week commencing 23rd July.

3.6 Letter of Statement of disclosure from Board members

This letter follows on from the letters signed by Board Members last year. A draft, including the explanatory letter from the Company Secretary is attached as Appendix 1. The Committee has recommended that all Board Members sign the statement.

3.7 Letter of Support from RBKC

The draft of the letter is included as Appendix C of the Audit Findings Report. RBKC have been asked to sign the letter in the week commencing 23rd July.

4 Recommendations

4.1 The Finance Audit & Risk Committee recommends to the Board the following:

- The Letter of Representation is approved and signed
- The Financial Statements for the Year ended 31st march 2012 are approved and signed subject to the receipt the following signed letters:
 - Letter of Representation signed by the Executive Team
 - Letter of Support from RBKC
 - Letters from Board Members on Statement of Disclosures..

Anthony Parkes
Director of Financial Services
19/07/2012

The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2012

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ADMINISTRATIVE INFORMATION

The current directors, senior managers and company secretary are listed below and changes to those who served during the period since 31 March 2011 are set out in the Report of the Directors.

BOARD OF DIRECTORS

All board directors of the company are statutory directors who hold non-executive roles.

Mrs F Edwards - Chair	Resident Board Member
Mr T Annis	Resident Board Member
Miss M Benjamin - Vice Chair	Resident Board Member
Mrs C Green	Resident Board Member
Mr R Kerr-Bell	Resident Board Member
Mr I Smith - Vice Chair	Resident Board Member
Mr R Turner	Resident Board Member
Mr A Ward	Resident Board Member
Councillor M Condon-Simmonds	Council Appointee
Councillor E Dent Coad	Council Appointee
Mr P Molyneux	Council Appointee
Mr J Zitron	Council Appointee
Mr P Chapman	Independent
Mr J Dec	Independent
Mr A Preciskel	Independent

SENIOR MANAGEMENT

Mr R Black	Chief Executive
Mr A Parkes FCA	Director of Financial Services
Ms S Jevans MCIH	Director of Customer Services
Ms L Pemberton	Director of People and Organisational Development

COMPANY SECRETARY

Mrs A Bosnjak-Szekeres Grad ICOSA, LLB

REGISTERED OFFICE

Network Hub
292a Kensal Road
London
W10 5BE

AUDITOR

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Buckinghamshire
MK9 1BP

BANKERS

Lloyds Bank
P.O. Box 17328
11-15 Monument Street
London
EC3V 9JA

SOLICITORS

Winekworth Sherwood
Minerva House
5 Montague Close
London
SE1 9BB

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2012

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors is responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PRINCIPAL ACTIVITIES

The company's principal activity during 2011/12 was the management and maintenance of the housing stock of the Royal Borough of Kensington and Chelsea (RBKC) and the provision of specialist technical consultancy and community alarm services.

This is the company's 16th year of trading having taken over the management of the homes of tenants and leaseholders from the RBKC on 1 April 1996.

REVIEW OF THE BUSINESS

The Kensington and Chelsea Tenant Management Organisation (KCTMO) is a 'not for profit' company owned by its members, who are residents of RBKC's housing stock.

Overall this has been a very positive year for the KCTMO in terms of its Key Performance Indicators (KPI) and in achieving a breakeven budget before FRS 17 pension adjustments and tax.

The Repairs service has seen a challenging year but overall the service has been managed well and, with our contractor Morrison's deciding to leave the contract, it gives the KCTMO an opportunity to review how it wants to deliver this service. The Board are now investigating options and will make a decision in September 2012. In the short term we have appointed Willmott Dixon to provide this service and they started in June 2012. Our voids turnaround time continues to reduce down from 26.7 days to 23.9 days, and overall we have seen long term voids reduced to 3, this ensures we are maximising the usage of our housing stock. Our Contact Centre (CSC) has seen calls increase to over 70,000 (from 64,000) but met all its targets for the first time in four years with call abandonment falling from 17% to 6% and call waiting falling from 73 to 34 seconds. This change programme was delivered alongside improvements in the monitoring systems.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2012

The success of the Rent Income and Home Ownership teams in collecting rent, leasehold service charges and capital works charges have made a significant impact on the Housing Revenue Account (HRA) debt. During 2012 the rent and service charge arrears were reduced by £158k and the capital works debt by £1,006k. Over the last three years the KCTMO has reduced the overall arrears by over £4m to £4.7m as at March 2012. This has been achieved against the background of rent increases and difficult economic conditions.

The KCTMO and RBKC have worked together through the Business Change Project which has focused on delivering the outcomes of the Stock Finance and Development Project. This focuses on two areas Value for Money (VFM) and Asset Management.

During 2012 the organisation has delivered a number of key aspects of its VFM strategy with a £400K saving on the management fee agreed for 2012/13, reducing HRA recharges by £53K and saving £800K on cyclical decorations contracts. The TMO is also in the process of procuring four long term contracts. We also completed a number of service reviews including the Asset, Investment and Engineering Team, Neighbourhood Management and Caretaking Service with the aim to reduce costs and improve services to our residents. A number of other objectives have also been delivered including a review of all SLA's between the council and the TMO, and installation of an Electronic Document management system to improve efficiency across teams. In February 2012 development of the new office in the south of the borough was completed. Here the TMO invested £250k to improve resident access in the south of the borough to bring it in line with that of our office in Kensal Road where we had 10,000 visitors in 2011/12. This ensures we are giving residents the access to services to meet their needs. We also expanded our community alarm service which now supports over 2000 vulnerable residents in the borough, the majority paying for this service privately. The TMO also managed to secure 100% of its previous Supporting People funding of £220,000 from Housing Benefit which means our residents will continue to receive much needed support to enable them to live independently. We are also currently reviewing our parking service to increase income to the HRA.

As the Country moved to digital TV, KCTMO delivered the £4 Million investment programme to enable this switchover to take place in RBKC housing stock. By the time of the switchover in April 2012 97% of the infrastructure had been completed and 83% of the internal faceplates installed. The take-up of faceplates at 83% is above the average for London Boroughs.

The Company's Growth Strategy is part of the VFM Strategy and the Business Plan. KCTMO agreed a growth strategy to increase income and protect our services. The first success of this was winning the contract to manage the Stable Way Travellers site for RBKC. Going forward the KCTMO will be focusing on exploring Asset Management ownership, management contracts and exploring the repairs service and how this service can be best delivered.

This has been a year of developing our asset management strategy and ensuring we deliver our investment. In reviewing our Capital Investment service we completed a restructure of this area which will improve the performance of the team going forward. This year we delivered significant kitchen and bathrooms programmes, boiler and lift replacements, fire safety works and a number of structural and external repairs. Overall the TMO achieved an investment spend of 98.7% of budget compared to 83% last year which evidences the positive impact of the changes.

Working with RBKC, the TMO has been reviewing options for providing additional homes. This is known as the 'Hidden Homes' programme. We have initiated work in the role of developer on three sites in this programme in order to deliver against the Council's ambitions to sustain affordable housing whilst also building capacity to expand into new areas of work. The council has allocated £900,000 to deliver housing on these three sites which will deliver 12 homes. Additionally the TMO will be delivering £6.2 million additional capital investment into Grenfell Tower on the Lancaster West Estate. This will extend the life of the block, greatly improve its fuel efficiency, the quality of life of residents and support the wider regeneration of the area alongside the development of a new Academy beside it. RBKC have allocated the funds for this investment from out of the proceeds of the disposal of vacant basement spaces at Elm Park Gardens.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2012

Resident Engagement continues to develop capacity with over 2,000 residents involved in decision making or consultation. Building on the 'TMO in Touch' campaign of 2011 which resulted in 2200 residents contributing their views and an overall satisfaction rate of 79%, we have been running the 'Get on Board Campaign' which focused on delivering 16 local estate road shows. This attracted almost 600 residents 90% of whom were new to being involved with the company. The TMO and RBKC worked closely together to produce the Annual Report to tenants in line with the new regulatory framework and completed the caretaking review as one of the areas in which residents wanted to see improvements.

Last year the TMO received 14 Internal Audit reports with the outcome of one substantial assurance for Leasehold Income and Collection and Debt Recovery and 13 satisfactory assurances. These covered areas assessed to be high risk such as Responsive Repairs and Voids.

In terms of regulation and compliance RBKC formally reviews the performance of the TMO and a report from the Lead member for Housing is then reported to the TMO Board and the Housing Scrutiny Committee. The report for 2011/12 identifies ongoing improvements in service and how the TMO is working to deliver RBKC key objectives on Housing and investment.

The base Management Fee received from the Council in 2012 amounted to £10,410k as compared to £10,509k for 2011. This represents a zero inflationary increase and no drawdown from Lancaster West reserves (2011 - £117k). It includes the income from the Stable Way contract as from January 2012. The major financial risk for the organisation is centred around its reliance for over 90% of its income on the management fee from RBKC and the continuation of the management agreement. Any substantial reduction in this fee would necessitate significant cost reductions.

In the year under review there was an operating profit of £126k compared to £4,273k, in the previous year. The 2011 accounts included an exceptional credit of £4,498k in respect of Past Service Credits on the replacement of the Retail Price Index with the Consumer Price Index for uprating of public service pensions. After removing all the adjustments required for pension fund accounting under FRS 17, this equates to an operating surplus of £3k (2011 - £101k). This breakeven position was achieved whilst absorbing inflation, the costs incurred in the restructuring of the Asset, Investment and Engineering teams and undertaking major contract procurements.

The FRS 17 valuation of the pension scheme was updated to 31st March 2012 and resulted in increased net pension liabilities from £5.9m at 31st March 2011 to £11.9m at 31st March 2012. This has been shown in the accounts as follows:

	£k
Profit and Loss Account	(29)
Statement of Total Recognised Gains and Losses	(5,961)
Increase in liability	<u>(5,990)</u>

The valuation as at 31st March 2010 also resulted in the reduction of the employer's contribution by 1% to 22.5% for the years 2012 to 2015. Further reductions may be expected for the future with Government entering into discussions over the split between employer and employee contributions and the potential move away from Final Salaries to the Career Average Earnings for future years.

The Localism Act of 2011 brought into being a 'self financing' regime for the HRA, to commence as from 1st April 2012. Self financing is designed to give local authorities the resources, incentives and flexibility they need to manage their own housing stock over the long term. With self financing the Council can keep its rental income and this provides for greater certainty as to the future revenues of the HRA. This is in contrast to the old system of rent pooling and annual grant settlements. Initial plans from RBKC indicate that this new system of finance will result in surpluses on the HRA revenue account. The Council and the TMO are reviewing the resources this provides as against the requirement for investment in the housing stock and are considering the options and challenges that this change in financing brings.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2012

BOARD MEMBERS

The current Board Members, who are the legal Directors of the Company, are listed on page 1 of the accounts.

The Board can consist of up to 15 Board Members, consisting of eight elected Resident Board Members, four Council appointees and three people independent of residents or the Council who are appointed by the Board. All Resident Board Members are elected by Members across the Borough. Under TMO's constitution, Resident Board Members and Independent Board Members can serve a maximum of three years before re-election or re-appointment with a maximum overall length of service of nine years. There were 15 Board Members on the Board at the end of the year.

The following Board Members have been appointed or left office since the start of the year:

Resident Board Members

Mrs S Collet	Resigned	09/05/2012
Ms K Harris	Resigned	09/05/2012
Mr T Annis	Appointed	09/05/2012
Miss M Benjamin	Appointed	09/05/2012

CHARITABLE DONATIONS

The TMO made no charitable donations during the year (2011: £nil).

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to be reappointed at the Annual General Meeting.

EVENTS SINCE THE BALANCE SHEET DATE

There have been no events, which have occurred since the balance sheet date that could have a material effect on the accounts of the company.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors in office on the date of approval of this report have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

CONSTITUTION

The company is limited by guarantee and is governed by its memorandum and articles of association. The guarantors are listed in the company's Register of Members. The liability in respect of the guarantee as set out in the memorandum of association is limited to £1 per member of the company.

This report was approved by the board on 26th July 2012.

Mrs A Bosnjak-Szekeres Grad ICSA, LLB
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE ROYAL BOROUGH OF KENSINGTON
AND CHELSEA TENANT MANAGEMENT ORGANISATION LIMITED

We have audited the financial statements on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Glyn Francies (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

The Pinnacle

170 Midsummer Boulevard

Milton Keynes

Buckinghamshire

MK9 1BP

Date:

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

PROFIT AND LOSS ACCOUNT

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2012

PROFIT AND LOSS ACCOUNT

	Notes	2012 £	2011 £
TURNOVER	1	11,151,577	11,406,166
Administrative expenses before exceptional item	2	(12,390,783)	(12,696,275)
Exceptional item	2	-	4,498,000
Total administrative expenses after exceptional item		(12,390,783)	(8,198,275)
Other operating income		1,365,113	1,065,107
OPERATING PROFIT	2	125,907	4,272,998
Interest receivable		-	4,926
Other finance charges	4	(151,000)	(679,000)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(25,093)	3,598,924
Taxation on (loss) / profit on ordinary activities	5	(42,144)	(40,322)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
AND RETAINED (LOSS) / PROFIT FOR THE YEAR	10	<u>(67,237)</u>	<u>3,558,602</u>

The operating profit for the year arises from the Company's continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	2012 £	2011 £
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	10	<u>(67,237)</u>	<u>3,558,602</u>
OTHER RECOGNISED GAINS AND LOSSES			
Actuarial (losses) / gains on the defined benefit pension scheme	14	(5,961,000)	9,944,000
		<u>(5,961,000)</u>	<u>9,944,000</u>
TOTAL RECOGNISED (LOSSES) / GAINS FOR THE FINANCIAL YEAR		<u>(6,028,237)</u>	<u>13,502,602</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

BALANCE SHEET

As at 31 March 2012

Company Registration Number: 3048135

		2012	2011
	Notes	£	£
FIXED ASSETS			
Tangible assets	6	1,630,842	1,403,093
CURRENT ASSETS			
Debtors	7	949,184	761,146
Cash at bank and in hand		1,018,661	1,285,950
		<u>1,967,845</u>	<u>2,047,097</u>
CREDITORS: amounts falling due within one year	8	<u>(1,390,120)</u>	<u>(1,203,385)</u>
NET CURRENT ASSETS		577,725	843,712
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,208,567</u>	<u>2,246,804</u>
NET ASSETS BEFORE DEFINED BENEFIT PENSION SCHEME LIABILITY		2,208,567	2,246,804
Defined benefit pension scheme liability	14	(11,928,298)	(5,938,298)
TOTAL NET LIABILITIES, INCLUDING DEFINED BENEFIT PENSION SCHEME DEFICIT		<u>(9,719,731)</u>	<u>(3,691,494)</u>
CAPITAL AND RESERVES			
Profit and loss account excluding pension scheme liability	10	2,208,567	2,246,804
Pension Reserve	10	<u>(11,928,298)</u>	<u>(5,938,298)</u>
Members' funds	10	<u>(9,719,731)</u>	<u>(3,691,494)</u>

As disclosed in note 9, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 7 to 18 were approved and authorised for issue by the board on 26th July 2012 and signed on its behalf by:

Mrs F Edwards
Chair

Mr R Kerr-Bell
Chair of Finance, Audit and Risk Committee

The Royal Borough of Kensington and Chelsea Tenant Management
Organisation Limited
CASH FLOW STATEMENT
For the year ended 31 March 2012

	<i>Notes</i>	2012 £	2011 £
Net cash inflow from operating activities		331,224	619,895
Returns on investments and servicing of finance - interest received		-	4,926
Taxation paid		(40,322)	(43,956)
Capital expenditure - payments to acquire fixed assets		(558,191)	(648,364)
Decrease in cash		<u>(267,289)</u>	<u>(67,499)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Decrease in cash in the period		<u>(267,289)</u>	<u>(67,499)</u>
Change in net funds	11	(267,289)	(67,499)
Net funds at 1 April 2011	11	<u>1,285,950</u>	<u>1,353,449</u>
Net funds at 31 March 2012	11	<u><u>1,018,661</u></u>	<u><u>1,285,950</u></u>
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES			
		2012 £	2011 £
Operating profit		125,907	4,272,998
Depreciation		330,441	307,328
(Increase) / Decrease in debtors		(188,038)	263,921
Increase / (Decrease) in creditors		184,913	(47,352)
Difference between pension charge to operating costs and pension contributions paid		(122,000)	321,000
Past Service gain (exceptional item)		-	(4,498,000)
NET CASH INFLOW FROM OPERATING ACTIVITIES		<u><u>331,224</u></u>	<u><u>619,895</u></u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2012

ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The accounting policies adopted are consistent with those of prior years.

GOING CONCERN

The accounts have been prepared on the going concern basis. The organisation has profit and loss account reserves of £2,209K and is budgeted to breakeven for the coming year before adjustment for FRS17. The cash at bank is £1,019K and there are no loans. The RBKC have confirmed the continuation of the management agreement.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less associated depreciation. Depreciation is provided on all such assets on a straight-line basis for each class of asset evenly over its expected useful economic life as follows:

Office fit out	Lower of lease term or 10 years
Office furniture	20%
Computer and office equipment	33%
Electronic data management system	20%
Leasehold Improvements	Lower of lease term or 10 years

LEASED ASSETS

The annual rentals in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

RETIREMENT BENEFITS

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost and expected return on assets are included within other finance costs. Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Total Recognised Gains and Losses.

Defined benefit schemes are funded, with the assets held separately from the company in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the company has a legal or constructive obligation to settle the liability.

TURNOVER AND OTHER OPERATING INCOME

Turnover and other operating income is credited to the profit and loss account as the service has been provided.

AGENCY ARRANGEMENTS

Income and expenditure is included in the profit and loss account where the company is acting as principal and bears the risks and rewards associated with those arrangements, rather than acting as an agent. Only the fee earned by the company in connection with agency arrangements is included within other operating income of the company.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1 TURNOVER

Turnover represents the value, net of Value Added Tax of goods and services provided to third parties.

2	OPERATING PROFIT	2012 £	2011 £
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This is stated after charging / (crediting):

Past Service Credits (Exceptional Item - see note 3)	-	(4,498,000)
Depreciation	330,441	307,328
Payments in respect of operating leases - land and buildings	509,684	606,671
Auditor's remuneration - for statutory audit	20,550	21,332
- for other services	2,750	3,500
	<u>2,750</u>	<u>3,500</u>

3	STAFF COSTS	2012 £	2011 £
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Wages and salaries	5,674,030	5,420,599
Social security costs	492,719	456,473
Other pension costs	847,000	(3,172,000)

<u>7,013,749</u>	<u>2,705,072</u>
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Agency Staff Costs	<u>1,348,654</u>	<u>1,467,095</u>
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Pension costs are analysed as follows:

Current service cost	847,000	1,326,000
Past service (credit)	-	(4,498,000)
	<u>847,000</u>	<u>(3,172,000)</u>

The past service credit results from the replacement of Retail Price Index (RPI) with Consumer Price Index (CPI) for the uprating of public service pensions following the UK budget statement on 22nd June 2010. As this change is considered to be a change in rules rather than a change in assumptions the gain has been recognised in the profit and loss account.

	2012 No.	2011 No.
Average number of FTE employees during the year:		
Housing	70	70
Technical services	51	49
Support services	44	42
	<u>165</u>	<u>161</u>
Total		
	<u>165</u>	<u>161</u>
Average number of FTE agency staff during the year:	<u>28</u>	<u>32</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4	OTHER FINANCE CHARGES	2012 £	2011 £
	Interest on defined benefit pension scheme liabilities	(2,028,000)	(2,328,000)
	Expected return on defined benefit pension scheme assets	<u>1,877,000</u>	<u>1,649,000</u>
		<u>(151,000)</u>	<u>(679,000)</u>
5	TAXATION ON (LOSS) / PROFIT ON ORDINARY ACTIVITIES	2012 £	2011 £
	DIRECT TAX		
	UK corporation tax on (loss) / profit for the year	<u>42,144</u>	<u>40,322</u>
		<u>42,144</u>	<u>40,322</u>

FACTORS AFFECTING TAX CHARGE FOR THE YEAR:

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

(Loss)/Profit on ordinary activities before tax	<u>(25,093)</u>	<u>3,598,924</u>
(Loss)/Profit multiplied by the standard rate of corporation tax in the UK of 20% or 21%	(5,019)	755,774
Effects of:		
Adjustment for non trading activities	<u>47,163</u>	<u>(715,452)</u>
Corporation Tax charge for year	<u>42,144</u>	<u>40,322</u>

FACTORS AFFECTING FUTURE TAX CHARGES

Other Arms Length Management Organisations which have their respective Local Authorities as their sole member are not taxed on transactions with the company's member. Whilst the Royal Borough of Kensington and Chelsea is not a member of the company, transactions with it are considered to be non-trading and not taxable.

The company is currently taxable at a rate of 20%. The tax rate applicable to companies in the United Kingdom is, to an extent, dependent on their taxable profits and any increase in the taxable profits will result in an increase in the applicable tax rate.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6	TANGIBLE FIXED ASSETS COST	Office Furniture & Fit Out	Computer Equipment	Electronic Data Management System	Leasehold Improvements	Total
		£	£	£	£	£
	At 1 April 2011	1,119,947	983,589	165,171	-	2,268,707
	Additions	15,258	143,978	103,807	295,148	558,191
	At 31 March 2012	<u>1,135,205</u>	<u>1,127,567</u>	<u>268,978</u>	<u>295,148</u>	<u>2,826,898</u>
	ACCUMULATED DEPRECIATION					Total
	At 1 April 2011	184,640	671,372	9,603		865,615
	Charge for the year	124,626	154,788	47,285	3,742	330,441
	At 31 March 2012	<u>309,266</u>	<u>826,160</u>	<u>56,888</u>	<u>3,742</u>	<u>1,196,056</u>
	NET BOOK VALUE					Total
	At 31 March 2012	<u>825,939</u>	<u>301,407</u>	<u>212,091</u>	<u>291,406</u>	<u>1,630,842</u>
	At 31 March 2011	<u>935,307</u>	<u>312,217</u>	<u>155,569</u>	<u>-</u>	<u>1,403,093</u>
7	DEBTORS			2012 £		2011 £
	Amounts falling due within one year					
	Trade debtors			208,195		190,203
	Other debtors			191,904		61,018
	Prepayments and accrued income			<u>549,085</u>		<u>509,925</u>
				<u>949,184</u>		<u>761,146</u>
8	CREDITORS: amounts falling due within one year			2012 £		2011 £
	Trade creditors			269,162		281,931
	Corporation tax			42,144		40,322
	Other taxes and social security			268,064		188,150
	Other creditors			13,000		10,950
	Accruals and deferred income			<u>797,749</u>		<u>682,032</u>
				<u>1,390,120</u>		<u>1,203,385</u>
9	MEMBERS					

The company is limited by guarantee and the liability of members to contribute to any deficiency of assets is £1 per member. The members have no rights to the income or assets of the company.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

10 PROFIT AND LOSS ACCOUNT / MOVEMENT IN MEMBERS' FUNDS

	Profit and loss account excluding pension liability £	Pension reserve £	Total members' funds £
At 1 April 2011	2,246,804	(5,938,298)	(3,691,494)
Retained loss for the year	(67,237)	-	(67,237)
Other recognised gains and losses - actuarial gain / (loss) on pension scheme	-	(5,961,000)	(5,961,000)
	<u>2,179,567</u>	<u>(11,899,298)</u>	<u>(9,719,731)</u>
Transfer	29,000	(29,000)	-
At 31 March 2012	<u>2,208,567</u>	<u>(11,928,298)</u>	<u>(9,719,731)</u>

11 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2011 £	Cash Flows £	Non-cash changes £	At 31 March 2012 £
Cash at bank and in hand	<u>1,285,950</u>	<u>(267,289)</u>	<u>-</u>	<u>1,018,661</u>

12 RELATED PARTIES

The Royal Borough of Kensington and Chelsea (RBKC) is a related party by virtue of the management agreement between the company and the Council and the Council's right to appoint directors to the board of the company. The company's main source of income is a management fee for the management of the RBKC housing stock. This amounted to £10,646,135 (2011: £10,902,873). The company also purchased services from RBKC in the year totalling £847,661 (2011: £807,731). At the end of the financial year, a net balance of £138,094 was due to the company, including £124,478 for the inter-entity balance and £13,616 owed to the company for other services to RBKC. (2011: £160,584 was due to company, including £4,507 due to RBKC for the inter-entity balance and £165,091 for other services to RBKC).

In addition to the above, during the year the company had provided services to the Council in respect of the Community Alarm Services for the amount of £229,900 (2011: £233,013).

During the year the company recharged the Council for consultancy and other services for the amount of £837,247 (2011: £898,947).

The eight Resident Board Members have been paid expense allowances totalling £12,438 (2011: £12,409).

In 2011/12 KCTMO made an Agency Agreement with RBKC for providing a service of Digital TV for a period of 10 years and earned £1,000 as management fee.

KCTMO has agreed with RBKC the right to operate at Blantyre Street for a period of 10 years (March 2012 to February 2022) at nil rent.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

13 LEASE COMMITMENTS

As at 31 March 2012 the company has an annual lease commitment in respect of land and buildings of £524,346 (2011: £513,471); the lease expires within 5 to 10 years (2011: 5 to 10 years).

14 RETIREMENT BENEFITS

The company is an admitted member of the Local Government Superannuation scheme, a funded defined benefit scheme. Employees are eligible to join the Local Government Superannuation scheme subject to certain qualifying criteria.

The contribution rates are those recommended by the Fund's actuary based on the tri-annual actuarial valuations as at 31 March 2010 (Barnett Waddingham) and were set on the basis of:

- a) The relationship between the assessed value of assets and the accrued value of liabilities of pensionable service to 31 March 2010;
- b) The level of contribution needed to meet the cost of the year by year accrued benefits in the future; and
- c) The change in terms of contracting out of SERPS.

The date of the last valuation was 31 March 2010. The market value of the scheme's assets at 31 March 2010 was £463 million. The actuarial valuation, done using the projected unit method was based on economic and statistical assumptions, the main ones being:

- i. The rate of accumulation of income and capital on new investments over the long term and the increase from time to time of income from existing investments;
- ii. Future rises in pensionable pay due to inflation etc, and pension increases;
- iii. Withdrawals from membership due to mortality, ill health and ordinary retirement; and
- iv. Progression of pensionable pay due to promotion.

As a result of the 31 March 2010 valuation, the level of employer's contribution funding was set at 22.5% of pensionable salaries for the years ending 31 March 2012, 31 March 2013 and 31 March 2014. Future contribution rates will be dependent on the results of actuarial valuations.

The pension contributions are calculated by the TMO on the basis of each monthly payroll and paid into the fund monthly.

These assumptions are set with reference to market conditions at 31 March 2012. The discount rate is the yield on the iBoxx AA rated over 15 year corporate bond index as at this date which has been chosen to meet the requirements of IAS19. The RPI increase assumption is set on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England. This measure has historically overestimated future increases in the RPI and so a deduction of 0.25% has been made to get the RPI assumption of 3.3%. As future pension increases are expected to be based on CPI rather than RPI, a further assumption has been made about CPI which is that it will be 0.8% below RPI i.e. 2.5%.

Salary increases are then assumed to be 1.4% above RPI in addition to a promotional scale. This is a slightly lower long-term assumption than last year to reflect the continuing climate of low salary increases.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14 RETIREMENT BENEFITS (continued)

The actuary has produced a valuation as at 31 March 2012 for the purposes of FRS17.

The key assumptions are:

ASSUMPTIONS AS AT	31 March 2012	31 March 2011
	% p.a.	% p.a.
Pension Increase Rate	2.5%	2.7%
Salary Increase Rate	4.7%	5.0%
Expected Return on Assets	5.2%	6.1%
Discount Rate	4.6%	5.5%
RPI Inflation Rate	3.3%	3.5%
CPI Inflation Rate	2.5%	2.7%

ASSETS (EMPLOYER)	Long Term	Long Term
	% p.a.	% p.a.
Equities	5.3%	6.4%
Gilts	3.3%	4.4%
Other Bonds	4.6%	5.5%
Property	4.3%	5.4%
Cash	3.0%	3.0%
Alternative Assets	5.3%	6.4%

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2011 for the year to 31 March 2012). The return on gilts and other bonds are assumed to be the gilt yield and corporate bond yield (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

MORTALITY

The post retirement mortality tables adopted were the PA92 series projected to calendar year 2017 for current pensioners and 2033 for non-pensioners.

The assumed life expectations from age 65 are:

	Males	Female
Retiring today	19.0 years	23.1 years
Retiring in 20 years	21.0 years	25.0 years

We have continued to assume that 50% of retiring members will opt to increase their lump sums to the maximum allowed and active members will retire one year later than they are first able to do so without reduction.

SENSITIVITY ANALYSIS

The following table sets out the impact of a small change in the discount rates on the defined benefit obligation and projected service cost along with a +/- 1 year age rating adjustment to the mortality assumption.

Sensitivity Analysis	£000's	£000's	£000's
Adjustment to discount rate	0.10%	0.00%	-0.10%
Present value of defined benefit obligation	43,567	44,568	45,596
Projected service cost	1,018	1,057	1,097
Adjustment to mortality age rating assumption	+1 year	none	-1 year
Present value of defined benefit obligation	42,863	44,568	46,296
Projected service cost	1,005	1,057	1,109

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14 RETIREMENT BENEFITS (continued)

FAIR VALUE OF EMPLOYER'S ASSET

	31 Mar 2012	31 Mar 2011
	£(000)	£(000)
Equities	20,890	25,694
Gilts	326	3,096
Properties	1,306	1,238
Cash	326	929
Alternative Assets	9,792	-
Total	32,640	30,957

BALANCE SHEET

	31 Mar 2012	31 Mar 2011
	£(000)	£(000)
Fair Value of Employer Assets	32,640	30,957
Present Value of Funded Plans	(44,568)	(36,804)
Net (Under) / Overfunding in Funded Plans	(11,928)	(5,847)
Present Value of unfunded liabilities	-	(91)
Net (Liability)	(11,928)	(5,938)

RECOGNITION IN THE PROFIT OR LOSS

	31 Mar 2012	31 Mar 2011
	£(000)	£(000)
Current Service Cost	847	1,326
Past Service (Gain)	-	(4,498)
Recognised in administrative expenses	847	(3,172)
Interest Cost	2,028	2,328
Expected Return on Employer Assets	(1,877)	(1,649)
Recognised in other finance charges	151	679
Total	998	(2,493)
Actual Return on Plan Assets	1,617	2,592

RECONCILIATION OF DEFINED BENEFIT OBLIGATION

	31 Mar 2012	31 Mar 2011
	£(000)	£(000)
Opening Defined Benefit Obligation	36,895	45,189
Current Service Cost	847	1,326
Interest Cost	2,028	2,328
Contribution by Member	300	287
Actuarial Losses / (Gains)	5,701	(6,807)
Past Service Cost / (Gain)	-	(4,498)
Estimated Unfunded Benefit Paid	-	(6)
Estimated Benefit Paid	(1,203)	(924)
Closing Defined Benefit Obligation	44,568	36,895

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14 RETIREMENT BENEFITS (continued)

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	31 Mar 2012	31 Mar 2011
	£(000)	£(000)
Opening Fair Value of Scheme assets	30,957	25,809
Expected return on scheme assets	1,877	1,649
Actuarial (loss)/gain	(260)	3,137
Contributions by employer including unfunded benefits	969	1,005
Contributions by Scheme participants	300	287
Estimated benefits paid including unfunded benefits	(1,203)	(930)
Closing Fair Value of Employer Assets	<u>32,640</u>	<u>30,957</u>

AMOUNTS FOR THE CURRENT AND PREVIOUS ACCOUNTING PERIODS

	31 Mar 2012	31 Mar 2011
	£(000)	£(000)
Fair Value of Employer Assets	32,640	30,957
Present Value of Defined Benefit Obligation	<u>(44,568)</u>	<u>(36,895)</u>
Surplus / (Deficit)	<u>(11,928)</u>	<u>(5,938)</u>
Experienced Gains / (Losses) on Assets	(260)	3,137
Experienced Gains / (Losses) on Liabilities	-	2,815

	31 Mar 2010	31 Mar 2009	31 Mar 2008
	£(000)	£(000)	£(000)
Fair Value of Employer Assets	25,809	18,823	22,688
Present Value of Defined Benefit Obligation	<u>(45,189)</u>	<u>(28,034)</u>	<u>(26,970)</u>
Surplus / (Deficit)	<u>(19,380)</u>	<u>(9,211)</u>	<u>(4,282)</u>
Experienced Gains / (Losses) on Assets	5,339	(6,513)	(2,276)
Experienced Gains / (Losses) on Liabilities	265	(1,198)	(305)

AMOUNT RECOGNISED IN STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (STRGL)

	31 Mar 2012	31 Mar 2011
	£(000)	£(000)
Actuarial Gains / (Losses) recognised in STRGL	<u>(5,961)</u>	<u>9,944</u>
Cumulative Actuarial Gains and Losses	<u>(5,732)</u>	<u>229</u>

	31 Mar 2010	31 Mar 2009	31 Mar 2008
	£(000)	£(000)	£(000)
Actuarial Gains / (Losses) recognised in STRGL	<u>(10,113)</u>	<u>4,792</u>	<u>3,330</u>
Cumulative Actuarial Gains and Losses	<u>(9,715)</u>	<u>398</u>	<u>5,190</u>

The employer's contribution for the year to 31 March 2012 was 22.5% of pensionable salaries.

The employer's contributions for the year to 31 March 2013 will be approximately £972,000.

**The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited
Final Audit Findings Report**

Year ended 31 March 2012

**Presented to the Finance, Audit and Risk Committee
by Baker Tilly UK Audit LLP
on 11 July 2012**

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This report has been prepared for the sole use of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and must not be disclosed to any third party, or quoted or referred to, without our written consent. No responsibility is assumed to any other person in respect of this report.

1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited (“the company” or “the TMO”) in respect of the year ended 31 March 2012.

The scope of our work has already been communicated to you via our Audit Plan document dated 19 April 2012.

A summary of the adjusted misstatements identified during the audit has been prepared and is included in Section 5. There are no significant unadjusted misstatements to report.

We consider that the audit approach adopted will provide the Directors with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report provided in the Audit Plan previously communicated to you.

2 Qualitative aspects of earnings

The table below sets out the impact of pension adjustments that have affected reported results for the year:

	£000
Loss before tax per financial statements	(25)
Pensions impact: routine (interest cost (£151k) less current service cost lower than contributions paid (£122k))	<u>29</u>
Revised profit before tax and pension adjustments	<u>4</u>
It should be noted that the FRS 17 valuation of the pension scheme liabilities has resulted in a substantial increase in the company's pension liabilities from £5.9 million at 31 March 2011 to £11.9 million at 31 March 2012 and the company's overall net liabilities. This has been shown in the financial statements as follows:	
2011/12 profit and loss account (see above)	(29)
Statement of Recognised Gains and Losses – actuarial loss	<u>(5,961)</u>
Increase in liability	<u>5,990</u>

3 Audit and accounting issues identified at planning stage

Key area of audit focus	Our approach	Resolution
<p>Accounting for pension costs</p> <p>The requirements of Financial Reporting Standard Number 17 (“FRS 17”) on accounting for pension costs must be followed and the responsibility for the use of appropriate assumptions rests with the directors of the company.</p>	<ul style="list-style-type: none"> Obtain and review the instructions provided to the actuary to confirm compliance with the requirements of FRS 17. Review of the actuary’s report and supporting assumptions and ensure that the pension liability is accounted for in line with FRS 17. 	<ul style="list-style-type: none"> We understand that the instructions provided to the actuary are identical to those used by Royal Borough of Kensington and Chelsea (“the Council”) and are compliant with FRS 17. The report of the actuary was reviewed analytically. As in previous years, the supporting assumptions for the TMO were benchmarked to the assumptions used by other ALMOs and comparable organisations. Significant variances were noted once again. Generally, the assumptions used appeared to be on the conservative side, compared with those noted for other organisations, even where the same actuary was used. The mortality assumptions were not as cautious as the others. [To be discussed directly with actuary, which is currently in progress. Further to this discussion, management is satisfied that the assumptions are reasonable and appropriate for the TMO.] A specific point has been added to the Letter of Representation (see Appendix A) for approval by the TMO Board to confirm that it has concluded that the assumptions used are appropriate for the TMO.

Key area of audit focus	Our approach	Resolution
Taxation The company has mutual trading status for the activities that are carried out with the Council. Certain of its activities fall outside this exemption.	<ul style="list-style-type: none"> Review activities that fall outside the mutual trading exemption and ensure appropriate inclusion within the corporation tax provision and disclosure in the financial statements. 	<ul style="list-style-type: none"> Reviewed. No issues were noted.
Leasing arrangements regarding Digital TV This is a complex area and the accounting treatment requires particular care. Review of draft contracts during the 2010/11 audit indicated that these arrangements are likely to result in an agency arrangement.	<ul style="list-style-type: none"> Review of the documentation and contracts (once available) to confirm the TMO's intended accounting treatment as agent, rather than as principal. Consider basis of income-recognition in respect of these arrangements. Assess the adequacy of the disclosures in the financial statements, particularly in relation to accounting policy and related party transactions. 	<ul style="list-style-type: none"> We have now had sight of the contract (signed by other parties but not yet by the TMO) and the agreement between the TMO and the Council is also about to be signed. [Subject to review and sight of the final signed versions of these documents], we are satisfied that this is an agency arrangement and that the treatment of any timing differences between monies expended and reimbursed in relation to this contract have been appropriately classified as prepayments within the financial statements, in line with UK GAAP. No significant matters arising. No related party disclosure was made of these arrangements within the first draft financial statements, nor a detailed accounting policy included. We have discussed this with management and appropriate narrative to the related parties note and the accounting policies has now been added to the financial statements.

Key area of audit focus	Our approach	Resolution
<p>Going concern and viability</p> <p>The company is still awaiting the updated Modular Management Agreement from the Council.</p> <p>The directors have a responsibility to ensure that there is sufficient evidence that the company remains a going concern and that the financial statements are properly prepared on this basis.</p>	<ul style="list-style-type: none"> Review the company's budgets and cash flow forecasts for the period of a minimum of one year from date of approval of the financial statements. Obtain confirmation from the Council of the management fee agreed for 2012/13. Obtain confirmation that the Council is not aware of any intention to, or reason why, it might terminate the management Agreement or otherwise impact the viability of the company. 	<ul style="list-style-type: none"> Budgets and cashflow forecasts were reviewed covering a minimum of one year from the date of signing. No matters of concern were noted. The management fee for 2012/13 is to be confirmed by the Council in the 2011/12 Letter of Support, [which is currently in the process of being obtained]. The updated Modular Management Agreement is still with the Council's legal department. Reference to this matter is included in the 2011/12 Letter of Support, which is in the process of being obtained.
<p>Agreement of inter-entity transactions and balances with the Council</p> <p>There is a risk that certain transactions between the company and the Council may not be documented in a manner that clearly determines the appropriate accounting treatment, particularly in distinguishing which party is acting as an agent or principal.</p>	<ul style="list-style-type: none"> Review the accounting treatment of any such transactions identified, particularly those relating to Digital TV Obtain direct confirmation from the Council of all 2011/12 transactions, including the management fee, SLAs and reverse SLAs and any other items for the year, including the year-end balance. Ensure reconciliations performed of inter-entity balances. 	<ul style="list-style-type: none"> Reviewed – see comments above. A confirmation is to be provided by the Council for all transactions during the year and all balances at the year end included within the 2011/12 financial statements. [This is currently awaited]. Reviewed - no issues were noted.

4 Audit and accounting issues identified during the audit

Issue	Resolution
VAT returns On review of the VAT returns, we noted that salary costs were incorrectly being included within box 7 (purchases). Although this has no impact on the VAT figure to be paid across to HMRC, the declaration is technically incorrect.	Management have been advised that salaries should be excluded from box 7 of the VAT return going forward. There is no need to make a declaration to HMRC going forward, provided that the correct method is used in future.
Depreciation: estimated useful life of EDMS equipment During our review of depreciation, we noted that the life attributed to EDMS additions (£104k) made in 2011/12 was rather short. It was assumed that all assets would have a life of five years from commencement of the original project.	We have agreed with management that the estimated residual life of the EDMS equipment will be reviewed during 2012/13 and revised, if considered appropriate.
Leasehold improvements We noted that the agreement for the Blantyre Street office required the TMO to perform c£250k of capital work to the building to bring it to a serviceable state. The TMO would, in exchange, be able to use the building rent-free for a period of 10 years.	The agreement was corroborated to supporting documentation provided by the Council and the treatment of the capital works was reviewed for compliance with FRS 15. We concur with management's assessment that this is a fixed asset and, as such, requires capitalisation (as a leasehold improvement) and depreciation over the length of the lease. We reviewed the related parties note and no disclosure of the arrangement was initially made. We have discussed this with management and appropriate narrative is now included.

5 Unadjusted/adjusted misstatements

A summary of the adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement. We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit. For this purpose we consider “clearly trivial” to be any matter less than £5,000 individually and £20,000 in aggregate. We have not identified any unadjusted items above this threshold.

	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	Profit & Loss effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s
Dr: Staff Costs (Admin Expenses)	35					
Cr: Accruals		(35)				
<i>Being: Correction of under accrual of year-end bonuses, based on the amounts paid within the June payroll.</i>						
Totals	<u>35</u>	<u>(35)</u>				

6 Significant deficiencies in internal control

There were no significant deficiencies in internal control which came to our attention during the course of our audit work. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

We have discussed with management whether the TMO could be earning more interest on its cash resources and understand that management will continue to investigate this area as part of its longer term planning.

7 Significant accounting policies, disclosures and estimates

Accounting policies and estimates

No matters arising that are not covered elsewhere in this report.

Accounting disclosures

During the course of our audit, we reviewed the adequacy of the disclosures contained within the financial statements and their compliance with both relevant accounting standards and the requirements of the Companies Act 2006. The following disclosure matters were brought to your attention and require amendment in the revised financial statements:

- The related parties note needed update regarding certain transactions with the Council, as described elsewhere in this report.

Significant difficulties identified during the audit

There were no significant difficulties identified during the course of the audit.

8 Uncertainties, risks, exposures, judgemental issues and going concern

There were no matters that we have identified in respect of the above during the course of our work that we consider should be brought to the attention of the directors, except where discussed elsewhere in this report.

9 Fees

We confirm that the fees charged during the year in respect of services performed for the TMO are consistent with those contained within our Audit Plan submitted to you and dated 19 April 2012, except that as requested a credit note of £400 has been granted against our previously agreed fee of £20,550 – so that the 2011/12 audit fee will be £20,150 (as per 2010/11).

10 Independence

In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication with those charged with governance”, there are no changes to the details of relationships between Baker Tilly UK Audit LLP and its related entities and The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited that may reasonably be thought to bear on Baker Tilly UK Audit LLP’s independence and the objectivity of the audit principal, Glyn Francies and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 19 April 2012.

Appendix A – Draft letter of representation

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
Bucks
MK9 1BP

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31 MARCH 2012

This representation letter is provided in connection with your audit of the financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view, in accordance with the applicable financial reporting framework. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

We confirm that to the best of our knowledge and belief, and having made appropriate enquiries of other directors and officials of the company:

Financial Statements

- a. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 22 March 2010, for ensuring that the company maintains adequate accounting records and for the preparation of the financial statements in accordance with the applicable financial reporting framework, in particular the financial statements give a true and fair view in accordance therewith.
- b. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
- c. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework. In particular, full disclosure is made in the financial statements of:
 - i. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for directors or any guarantee or provision of security for directors;
 - ii. the identity of the party which controls the company, if any;

- iii. transactions and balances with related parties including:
- the names of the transacting parties;
 - a description of the relationship between the parties;
 - a description of the transactions;
 - the amounts involved (even if nil);
 - any other elements of the transactions necessary for an understanding of the financial statements;
 - the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - amounts written off in the period in respect of debts due to or from related parties.
- d. Full disclosure is made in the financial statements of:
- i. outstanding capital commitments contracted for at the balance sheet date;
 - ii. all contingent liabilities including details of pending litigation and material claims against the company;
 - iii. all guarantees or warranties or other financial commitments.
- e. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- f. There have been no events (e.g. loss of key customer, supplier or member of staff, change in credit terms offered by suppliers, breaches of bank or other covenants, changes in banking or insurance arrangements or facilities) since the balance sheet date that would impact on the ability of the company to continue as a going concern. Should such events occur prior to your signature of the audit report we will advise you immediately. Except as already incorporated into our cash flow and profit forecasts we have no plans or intentions that would impact on the ability of the company to continue as a going concern.
- g. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework require adjustment or disclosure have been adjusted or disclosed. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.
- h. The effects of uncorrected misstatements (whether arising from differences in amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework) are immaterial, both individually and in the aggregate, to the financial statements as a whole.

Information Provided

- a. As agreed in the terms of engagement, we have provided you with:
- i. Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - ii. Additional information that you have requested from us for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- b. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- c. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- d. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- e. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- f. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements. We have also notified you of the actual or contingent consequences which may arise from such non-compliance, including any potential effects on the company's ability to conduct its business.
- g. We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware.
- h. We have disclosed to you details of all known actual or possible litigation and claims whose effect should be considered when preparing the financial statements.

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

We confirm that we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.

We confirm that the actuarial assumptions used within the FRS 17 calculations are considered to be reasonable for the company.

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

The contents of this letter were considered and approved by the board at its meeting on 26 July 2012.

Yours faithfully

Signed on behalf of the board of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

Director
26 July 2012

Appendix B - Updated financial reporting developments

No matters have arisen since the preparation of the audit plan dated 19 April 2012.

Appendix C – Draft letter of support

Baker Tilly UK Audit LLP
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

The Directors
Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited
292a Kensal Road
London
W10 5BE

Dear Sirs

The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited : year ended 31 March 2012

We are writing in connection with your audit of the Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited (“the TMO”) for the year ended 31 March 2012 and we understand that you will be relying on this letter for the purposes of your audit.

Management Agreement

The Management Agreement dated 28 February 1996 expires only when one of the parties gives notice in accordance with Clause 19 of Chapter 1 of the Management Agreement. We have no intention of giving such notice in the next twelve months and we have not notified the TMO of any breaches of this agreement during 2011/12. There is no current or firm intention to make any significant changes to the existing modular Management Agreement.

The Royal Borough of Kensington and Chelsea (“RBKC” or “the Council”) has the right to terminate the management agreement with the TMO should it become insolvent. As at 31 March 2012, the TMO had a net deficit position of £9.7 million. The net deficit position is represented by cumulative reserves on the profit and loss account of £2.2 million and the FRS17 pension scheme deficit of £11.9 million. We confirm that we will not exercise our right to terminate the management agreement to the extent that the net deficit position is due to FRS17 pension scheme accounting.

Management fee and similar income

The management fees for the year ended 31 March 2012 payable by RBKC to the TMO amounted to £10,646,135 including £334,087 in fees for the management of Lancaster West, £18,000 in fees for the management of Stable Way and £236,018 Supporting People grant. Other income earned by the TMO from RBKC in respect of the year ended 31 March 2012 was as follows:

- CAS Income : £299,900
- Recharges for consultancy and other services: £837,247, the main element being the Capital programme team recharge.

These fees have been derived in the manner required in accordance with the management agreement between RBKC and the TMO.

We confirm that the management fee payable under the management agreement will be set at an adequate level to enable the TMO to continue to provide the services under the management agreement. The level of the management fee will be arrived at through joint process, taking into account the financial needs of the TMO, the resources adjudged to be available within the Council's Housing Revenue Account and the Council's medium term financial strategy. The management fee agreed for 2012/13 is £9,758,610.

In addition to the above, the TMO has earned £1,000 as a management fee during 2011/12 in respect of the Digital TV arrangements.

Service Level Agreements (SLAs)

Amounts payable by the TMO to RBKC under service level agreements for the year ended 31 March 2012 amounted to £847,661. There were no amounts receivable from RBKC to the TMO under reverse SLAs.

Amounts due from/to RBKC

We confirm that as at 31 March 2012, RBKC owed the TMO a net balance of £138,094, including £124,478 for the inter-entity balance and £13,616 owed to the TMO for other services provided to RBKC.

Other arrangements

The TMO has the right to occupy the Council's Blantyre Street office for a period of 10 years from March 2012 to February 2022 at nil rent.

For and on behalf of the Royal Borough of Kensington & Chelsea Council
Authorised signatory

346 Kensington High street
London
W14 8NS


abosnjakszekeres@kctmo.org.uk

Dear Board Member,

Statement as to disclosure of information to the auditor

Following an amendment to the Companies Act 1985, and as superseded by the Companies Act 2006, the Directors' Report in the annual accounts has to contain a standard formal statement that:

- as far as each director is aware there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director to make him or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

It has been agreed by the Finance, Audit and Risk Committee that all board members should be asked to sign up to this statement individually to give the Board as whole the necessary assurance.

The statement also forms part of the letter of representation to the auditors from the Board, which will be signed at the Board meeting on 26th July 2012.

So, what does this mean in practice?

'Relevant audit information' is information that would influence the auditors' opinion as to whether the accounts represent a 'true and fair view' and whether they have been properly prepared in accordance with Companies Act requirements. In other words, we are only talking about information which might show that the accounts are misleading or inaccurate in some material way.

You will have taken the necessary steps to make yourself aware of relevant information if you have:

1. asked your fellow directors if they are aware of any information;
2. asked the auditors if they have been provided with all the information they have asked for; and
3. exercised the due care, skill and diligence required of a director.

As all directors are being asked to sign up to the statement, you will have received assurance on point 1).

The auditors have confirmed that they have been provided with all the information they have requested, which deals with point 2).

As to point 3), as non-executive directors, you are most unlikely to have any relevant information which has not already been provided to the auditors, as they are given full access to all board and committee papers and minutes, as well as all financial records.

The one area where individual board members might conceivably have relevant information is in relation to any significant events after the year end, and particularly after the conclusion of the audit, that have not been formally reported to the Board at a meeting.

If you have any questions about signing the statement, please let me know, but I think you should all be able to sign it, confident that you have carried out the necessary steps.

Please could you therefore sign the attached statement and return it to me in the envelope provided by Thursday 26th July 2012.

Yours sincerely,

Angela Bosnjak-Szekeres
Company Secretary

To the Company Secretary

Statement as to disclosure of information to the auditor

In connection with the audit of the Report and Financial Statements of Kensington and Chelsea Tenant Management Organisation Ltd for 2011/12, I can confirm that, as far as I am aware:

- There is no relevant audit information of which the auditor is unaware; and.
- I have taken all the steps that I ought to have taken as a director in order to make myself aware of any relevant audit information and establish that it has been communicated to the auditor.

Signed.....

Name.....

Date.....

Agenda Item 6

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA TENANT MANAGEMENT ORGANISATION

TMO BOARD
26TH JULY 2012

GOVERNANCE UPDATE

REPORT BY COMPANY SECRETARY AND GOVERNANCE MANAGER

1. Purpose

1.1 This report sets out the internal audit plan for 2012/13 that was reviewed by the Finance, Audit and Risk Committee and a proposed procedure for the re-appointment of the Independent Board Members.

1.2 The Board is asked to agree:

- The internal audit plan for 2012/13 (Appendix 1) as recommended by the Finance, Audit and Risk Committee
- The process for the re-appointment of Independent Board Members.

DECISION

2. Internal Audit Plan 2012/13

2.1 The Finance, Audit and Risk Committee reviewed and agreed the internal audit plan for 2012/13 at its meetings in April and July, and it is making a recommendation to the Board to agree the internal audit plan for this year (Appendix 1).

3. Appointment and re-appointment of Independent Board Members

3.1 Article 19 of the Constitution prescribes the appointment of Independent Board Members. Independent Board Members are appointed for a period of 3 years and they are eligible for re-appointment (Article 19.2) as long as they have not served for a period not exceeding 9 years (Article 19.3). Article 19.4 prescribes the Board shall establish the procedure for selecting candidates for appointment.

3.2 As discussed at the Elections Board working group we carried out a benchmarking exercise with other organisations in order to establish what their practices and procedures are for the re-appointment of Independent Board Members.

- 3.3 Twenty-three organisations responded. Eighteen organisations are using a process where they ask the retiring independent Board members whether they are willing to remain on the Board and if so, they recommend their reappointment to the Board. Their reappointment is done by the Board or the AGM. Several of these organisations have a provision that the Independent Board Members are subject to an appraisal process or that their re-appointment is subject to good performance on the Board.
- 3.4 Five have advertising processes for reappointment of Board members. Three out of these five, the advertising and selection/interview process is used for all Board members, including Resident Board Members and no elections are held.
- 3.5 Based on the responses we received and following comments and suggestions from the Board Members, please see below a proposed process for the re-appointment of Independent Board Members to the TMO Board:
- The Company Secretary would ascertain whether the Independent Board Members that are due to retire wish to continue serving on the Board. If so, the Company Secretary would inform the Chair of the Board and the members of the Appointment Panel that initially appointed the Independent Board Member.
 - In the event that the Independent Board Member that is seeking to be re-appointed is serving on the Appointments Panel, another Independent Board Member shall take their place on the Panel.
 - The Appointments Panel will use the outcome of the last appraisal of the Independent Board Member (that was carried out as part of the Board appraisal process) to make a recommendation to the Board to re-appoint. The Board will ratify the re-appointment and the next meeting or the AGM, whichever shall occur first.

Angela Bosnjak-Szekeres
Company Secretary and Governance Manager

APPENDIX 1**TMO – INTERNAL AUDIT PLAN 2012/13**

Service Area	Key Client	Manager	Audit
Key Systems			
Financial Services			
Accounts Payable - Managed Accounts	Anthony Parkes	Rupa Bhola	Full Review
Accounts Receivable - Managed Accounts	Anthony Parkes	Rupa Bhola	Full Review
General Ledger – TMO Managed Accounts System	Anthony Parkes	Rupa Bhola	Full Review
Accounting Systems - TMO Company Great Plains	Anthony Parkes	Rupa Bhola	Full Review
Home Ownership			
Leasehold Consultation	Anthony Parkes	Daniel Wood	High Level Review
Leasehold Income / Debt recovery	Anthony Parkes	Daniel Wood	High Level Review
Customer Services			
Key Systems			
Repairs including Voids Management and Larger Repairs / Decants	Sacha Jevans		High Level Review

TMO – INTERNAL AUDIT PLAN 2012/13

APPENDIX 1

Service Area	Key Client	Manager	Audit
Others Audits			
HR and Organisational Development			
Complaints	Lornette Pemberton		Full Review
Health and Safety	Lornette Pemberton		Full Review
Fire Risk Assessments	Lornette Pemberton		Specific Review
CEO			
Corporate Governance	Robert Black	Angela Bosnjak-Szekeres	High Level Review
IT			
Network Security	Anthony Parkes	Nurul Miah	Full Review
Server Infrastructure	Anthony Parkes	Nurul Miah	Full Review

Agenda Item 7

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA TENANT MANAGEMENT ORGANISATION

TMO BOARD
26TH JULY 2012

FEEDBACK FROM THE COMMITTEES

REPORT BY COMPANY SECRETARY AND GOVERNANCE MANAGER

1 Purpose

1.1 The Board is asked to:

- Ratify the decisions of the **F**inance, **A**udit and **R**isk Committee meeting held on the 11 July 2012, as the meeting was not quorate.
- Agree the **O**perations Committee terms of reference as recommended by the Committee (Appendix 1).

DECISION

2 Finance, Audit and Risk Committee – 11 July 2011

2.1 The Board is asked to ratify the decisions below that were made at the meeting:

- The minutes of the meeting held on the 17 **A**pril 2012 were agreed as an accurate record.
- The draft final accounts were approved and recommended to the Board for approval.
- The revised internal audit plan for 2012/13 was agreed and recommended to the Board for approval.

2.2 Members decided to review the terms of reference for the Committee at the **D**ecember meeting. The **C**ommittee also received the internal audit progress report, the budget monitoring report for **M**ay 2012 and reviewed the **C**orporate **R**isk **R**egister.

2.3 Committee members also met with **G**lyn Francis from external auditors **B**aker **T**illy without the officers present. Members enquired whether there was anything that the auditor wished to report to the Committee. The auditor responded that

things are well organised in the Company, everything is provided on a timely basis and the audit runs smoothly.

- 2.4 The members also discussed with the auditor having a VAT health check and the assurances that are received from the internal auditors. The auditor also expressed his thanks to the Anthony Parkes and the financial team for their co-operation during the audit.

3 Operations Committee – 21 June 2012

- 3.1 The Committee agreed the minutes of the meetings held on the 8 and 21 March 2012 and received the capital projects progress report, the performance update, the home ownership report for quarter 4 and updates about the procurement of the grounds maintenance contract and bids for the RBKC Regeneration Funds for 2012/13.

- 3.2 The Committee made the following decisions:

- To award the contract for the replacement of water tanks at 19 blocks across the housing stock to Clearwater and agreed a revised project budget of £700,000.
- To recommend the reviewed Committee terms of reference to the Board for approval (Appendix 1)

Angela Bosnjak-Szekeres
Company Secretary and Governance Manager

Appendix 1

TERMS OF REFERENCE OF THE OPERATIONS COMMITTEE

1.0 Constitution

- 1.1 The Operations Committee (the 'Committee') is a Committee of the Board. The Committee shall have delegated authority in respect of those matters set out below, and any other matters specifically delegated to it by the Board on an ad-hoc basis. The Members of the Committee shall at all times operate within the constitution of the KCTMO, and the Standing Orders of the organisation of which these Terms of Reference form part.

2.0 Purpose

- 2.1 To consider key strategic issues that affect the operational aspects of the KCTMO, including performance management, progress against the business plan, project updates, procurement, asset management and monitoring and delivery of the Health and Safety Strategy/Policy.

3.0 Membership

- 3.1 Committee Members will be appointed by the Board and shall be a minimum of seven with at least one Council and one Appointed Board Member, and will be selected where possible on the basis of their expertise and experience in the areas delegated to the Committee.
- 3.2 The Board will review the membership of the Committee yearly after the elections for resident Board members to ensure that the most appropriate members are appointed in line with the skills required. The time of serving on the Committee shall run conterminously with the Board's membership on the Board.

4.0 Chair

- 4.1 The Board shall appoint the Chair, who shall be a Resident Board Member. By exception the Chair of the Committee can request that another Member chairs the meeting to cover occasional absence.

5.0 Secretary

- 5.1 The Company Secretary shall act as Secretary to the Committee and attend all meetings providing advice and service as required.

6.0 Quorum

6.1 The quorum necessary for the transaction of business shall be five, to include one Independent or Council Appointed Board Member. If the meeting is not quorate the Chair can take the meeting through the business on the agenda however no decisions can be actioned until ratified by the Board or the next meeting of the Committee.

7.0 Meetings

7.1 Meetings of the Committee shall be summoned by the Company Secretary, giving not less than 48 hours notice, at the request of the Board, the Chair of the Board or by the Executive Team.

7.2 The Committee shall meet not less than quarterly and more often if required.

7.3 The Committees Chair shall report formally to the Board on its proceedings through minutes or other appropriate methods with recommendations where appropriate.

8.0 Duties and Powers

8.1 The Committee shall have delegated powers:

- i) To monitor the implementation and progress against key milestones of the operational aspects of the Business Plan and service improvement plans.
- ii) To assess value for money and the efficiency of the business and make recommendations to the Board.
- iii) Review and assess staffing and restructuring plans relating to operational delivery and make recommendations to the Board.
- iv) Review and approve operational non statutory policies
- v) Monitor and review equalities and diversity aspects of service delivery
- vi) Monitor the progress and performance of the capital works programme
- vii) Review, challenge and monitor key performance indicators and benchmarking and make recommendations to the Board.
- viii) Review the strategic delivery of leasehold services, including consultation, involvement, RTB and non statutory procedural matters, income and service charge collection and LSVT challenges.

- ix) Review and monitor the Asset Management Strategy objectives and implementation plans and make recommendations to the Board for approval.
- x) Review and monitor the Procurement Strategy and implementation plans and make recommendations to the Board for approval.
- xi) Monitor the progress and performance of capital and revenue programmed works and revenue service accounts.
- xii) Scrutinise the procurement and approve contracts between £500,000 and £1,000,000 in accordance with the Financial Regulations
- xiii) Scrutinise the procurement of contracts over £1,000,000 and make recommendations to the Board for approval.
- xiv) Monitor the organisations Health and Safety Policies to ensure the Board receives assurances that the TMOs contractors, residents and public policies are robust and ensure any action required is taken quickly and the board is made aware of risks.
- xv) Ensure any new or increasing risks profiles from the operational delivery of services is fed into the risk strategy and reported to the Finance, Audit and Risk Committee and the Board.
- xvi) Monitor the Complaints Policy in relation to operational matters receiving reports on outcomes and lessons learnt.
- xvii) To evaluate the submissions from the ARBs, RA's and Compacts for the RBKC Housing Regeneration Programme funding, using the Councils criteria to evaluated bids and make recommendations to the Council on funding programmes and to receive updates on progress against the approved programme.

Agenda Item 9

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA TENANT MANAGEMENT ORGANISATION LIMITED

Open	
For information	
Board	
Report title:	Performance Dashboard & Business Plan Monitoring 2012-13 – Quarter 1
Authority for decision:	The Board has ultimate responsibility for the performance of the organisation.
Recommendations:	Noting
Regulatory/legal requirements:	Monitoring of the organisation's Performance Indicators and Business Plan is good practice
Business Plan link:	Keeping our resident and customers centre stage
Equality Impact Assessment/comment:	None required
Resident consultation:	The TMO's Business Plan and Performance Indicators have been developed with the full involvement of staff, management and the Board, and in consultation with residents, key stakeholders, and partners, of which the Royal Borough is paramount.
Resource implications/VFM statement:	Existing resources
Risk:	If targets are not met there is a high reputational risk and the TMO's core business could ultimately be affected.
Appendices:	2
Total number of pages including appendices:	19
Name, position and contact details of author:	Yvonne Birch Head of Strategy and Engagement [REDACTED]

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED**

TMO BOARD 26/7/2012

REPORT BY HEAD OF STRATEGY AND ENGAGEMENT

**PERFORMANCE INDICATORS & BUSINESS PLAN UPDATE – QUARTER 1
(2012-13)**

1. PURPOSE

- 1.1 The purpose of this report is to advise the TMO Board of the TMO's performance for the period April – June 2012, and to update on the progress of the Business Plan Strategic Priorities.

FOR INFORMATION

2. INTRODUCTION AND BACKGROUND

- 2.1. This report and the attachments give an overview of the performance of the TMO in key business areas during the reporting period, together with an update on the progress of the Business Plan Strategic Priorities.

3. PERFORMANCE INDICATORS

- 3.1. The traffic light indicator uses the usual colours to indicate the status of the annual target.

4. OVERVIEW OF KEY BUSINESS AREAS

- 4.1. Detailed below are summaries from managers of the progress in their area during the first quarter of 2012-13.

5. REPAIRS & MAINTENANCE

5.1. Responsive Repairs

- 5.2. Following the termination of the Morrison contract Wilmott Dixon Partnership took over the responsive repairs contract on the 25th June.
- 5.3. Early indications on the management of the contract are positive, but a full picture of progress will be available during the second quarter.

- 5.4. During the first quarter there were a high number of post inspection failures, reflecting the drop in performance of Morrison during the last few months of the contract.
- 5.5. No information was supplied by Morrison on customer satisfaction or repairs completed right first time for the final period. 'First Time Fix' will be monitored by Wilmott Dixon but 'Customer Satisfaction' has been suspended for a review to take place on how this process is undertaken.

6. Voids & Lettings

- 6.1. The drop in the performance of Morrison during the final months of the contract impacted negatively on the average turnaround time for a general needs void.
- 6.2. During the final months a number of new void orders were issued to outside contractors to ensure continued delivery of works; however, the number of delayed finishes meant that the target of 24.0 days was not met for either April or June, or the quarter as a whole.
- 6.3. The delays also impacted on the number of outstanding voids which ended June at their highest level since mid-2011.
- 6.4. Void orders are now being issued to Wilmott Dixon and performance will be closely monitored in the coming months.

7. Capital Works & Gas Safety

- 7.1. Data gathered from the 2009 Stock Condition Survey together with the additional condition surveys undertaken between June 2011 and July 2012 have continued to improve the available sample data and increase and better inform both our current and future programmes of work.
- 7.2. As previously reported, whilst the areas targeted have continued to show a higher proportion of non-decency related issues, these are being offset by progressing programmes of work. Any percentage reduction of Non Decent Homes is dependent upon the availability of capital funding investment.
- 7.3. The SAP rating continues to remain fairly static since the last quarter. It is reiterated that based upon the present funding constraints no significant projected changes to the SAP value are anticipated in 2012/13.
- 7.4. Gas compliance is at 99.7%, under the target of 100% and representing twelve properties without a current Landlords Gas Safety Record (LGSR) certificate. Evening/weekend cold calling measures continue to be undertaken by the gas contractor to gain access to undertake annual servicing and gas safety checks where access has been unreasonably withheld by a tenant. Where there continues to be no response from the

tenant, the agreed legal processes via the application and serving of a Warrant continue to be utilised to gain access.

- 7.5. With reference to the 2012/13 Capital Programme, the procurement process commenced in Quarter 4 of 2011/12 and it is anticipated that all available capital funding will be committed and expended in 2012/13.

8. CUSTOMER SERVICES

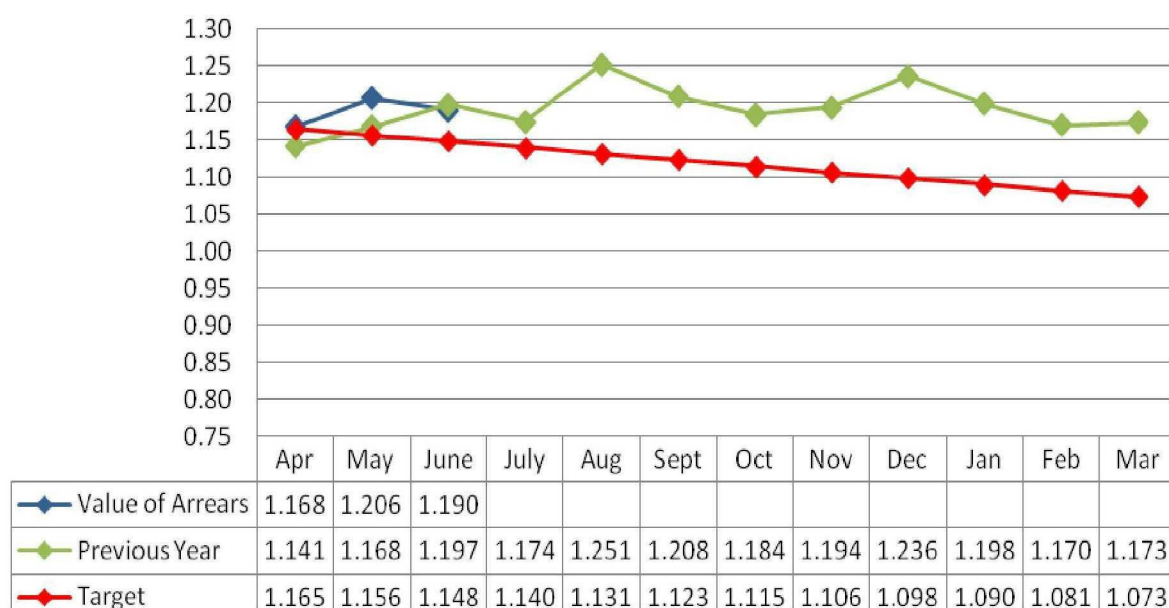
- 8.1. Performance for the percentage of calls answered was below target at 88.8% for the first three months of the new financial year. Although the number of calls received by the call centre dropped slightly after a busy final quarter, calls were still above the average levels received in the first three quarters of 2011-12.
- 8.2. May and June in particular were eventful months which saw the winding down of the contract with Morrison, the start of the new interim contract with Wilmott Dixon, including training sessions with Call Centre staff, calls from residents requesting the re-establishment of communal heating services due to unseasonal temperatures, and the highest June rainfall levels on record.
- 8.3. Average waiting times for the period were within target at 19 seconds.

9. RENT COLLECTION & ARREARS

Current Tenant Arrears

- 9.1. Following the anticipated drop in performance at the beginning of the new financial year, a result of tenants adjusting to the new rent charges applied in April, collection picked up in June; however, compared to the end of March 2012 arrears have increased by £18,000.

Total Rent Arrears (millions)



- 9.2. In order to minimise the impact of the rent increase the Rent Income Team undertook a number of initiatives during the period, for example, 'cold calling' tenants in arrears during the final week of each month where they invited tenants to make telephone payments with their debit cards, and discussed general finances and access to benefits.
- 9.3. An exercise to contact residents who pay by Standing Order but have failed to increase their regular payments following the rent increase has also recently been completed. As a result a number of Standing Order customers have cleared the shortfall and the remainder have entered into arrangements to clear debts by instalments over the coming weeks.
- 9.4. Following another Direct Debit promotion in the Link the number of tenants paying by this method has increased by 39.
- 9.5. Ten evictions are currently pending, for tenants who have refused to pay their rent and service charges or to engage with staff for advice and assistance; these cases represent around £40,000 in lost income to the TMO which will be pursued as former tenant debt following eviction.
- 9.6. The percentage of tenants with arrears of 7 weeks or over remains within target although a slight increase has occurred since March.

Former Tenant Arrears (FTA)

- 9.7. Whilst a write off of over £14,000 has been achieved in June, and payments received of £8,100, this has been offset by £22,307 of new debt occurring. This new debt represents tenants who have been evicted for rent arrears, tenants who have died owing arrears, tenants who have

found their own accommodation and not paid rent to the closure of their tenancy, tenants who have transferred with arrears and tenants who have abandoned their properties.

- 9.8. All sums outstanding will be pursued; however, former tenant debts are challenging to recover, often due to tracing issues, and generally debts are only cost effective to pursue through legal channels if the former tenant owns a property over which a Charging Order can be made, or if they are in employment so that an attachment of earnings can be obtained.
- 9.9. A further £26,212 of former tenant debt is awaiting permission for write off by RBKC and is expected to be approved swiftly. An additional write off request for a cumulative amount of £35,679 was submitted to the Council on the 12th July 2012.

10. Leasehold Collection

- 10.1. The Home Ownership team have successfully hit their targets for both service charge and major works collection for the first quarter of the year. This has been particularly pleasing as historically quarter 1 has been a challenging period.

11. NEIGHBOURHOOD MANAGEMENT

11.1. Anti Social Behaviour (ASB)

- 11.2. The number of new nuisance cases reported each month to the TMO has decreased for the fifth quarter running, with just 64 new cases logged.
- 11.3. At the close of the quarter we had 312 live cases. Work is ongoing to review and close a number of older outstanding cases.
- 11.4. The cases closed in the period had a successfully closed resolution rate of 83.3%, an outcome that puts the TMO in the second quartile for this measure.
- 11.5. Ten satisfaction surveys were returned in the quarter, showing net satisfaction with the handling of ASB cases at 86% and outcome at 100%. Return rates for satisfaction surveys remain low however, and a number of responses registered a response of 'neither satisfied nor dissatisfied' for the above questions.

12. Resident Engagement

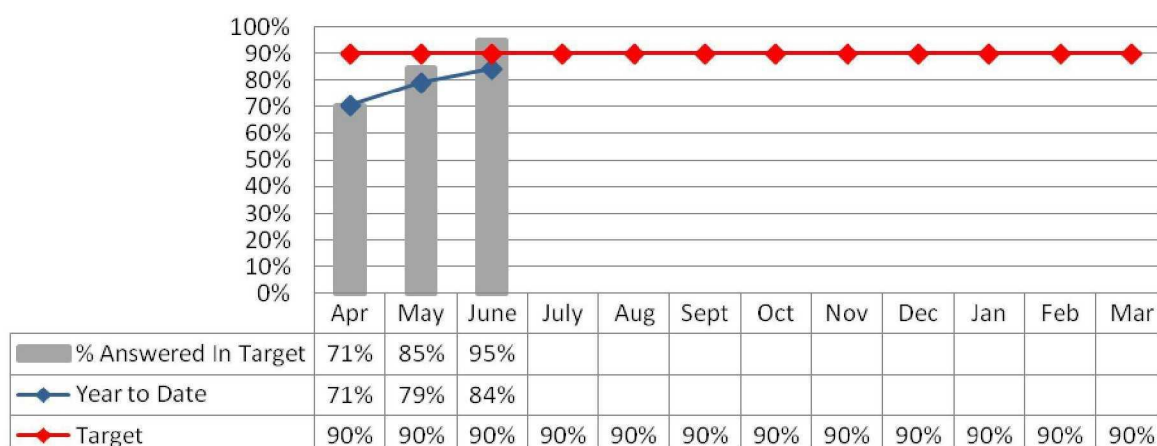
- 12.1. During the first quarter there were six more 'Get on Board' road-shows across the borough, attended by a total of 88 residents. The recent wet weather has impacted on the number of attendees but attendance remains above target for both the year and the programme as a whole.

- 12.2. Further road-shows will take place in July, including the two finale road-shows at the Chelsea Theatre (South) and the Henry Dickens Estate Community Room (North).
- 12.3. With the support of the Resident Engagement Team, a new Resident Association was formed at Danvers Street and a new compact at Ingelow House.
- 12.4. The team held a training open day in May which was well attended, with 19 residents signing up for Hair & Beauty and Customer Services training sessions.
- 12.5. May also saw two sessions of Committee Skills training, attended by 22 residents.

13. COMPLAINTS

- 13.1. The Complaints Team received and registered 116 enquiries and 63 Stage One complaints during the first quarter, April 2012 – June 2012. No complaints were escalated to Stage Two during the period.
- 13.2. Overall complaint turnaround performance has improved gradually during the first three months, with 71% complaints responded to within target in April, 85% in May and 95% in June, against a target of 90% responded to within 10 working days.

% Stage 1 Complaints Answered in Target



- 13.3. This improvement in performance can be attributed to the work the Complaints Team have carried out in promoting complaint handling awareness across the organisation.

Actions undertaken include:

- Ensuring that all new staff, including existing staff who have moved into new posts, are given Complaints Induction training to ensure they are familiar with the complaints process,
- Holding a bi-monthly complaint workshop, chaired by the Complaints Manager, where lessons learnt are discussed and resolutions implemented.

13.4. Staff are also more confident in using W2, the electronic system used to record complaint cases, following additional training and 1-2-1 support from members of the Complaints Team.

14. HUMAN RESOURCES & GOVERNANCE

14.1. The number of sickness absences per employee has not met the target for the first quarter; 2.5 days against a maximum limit of 1.65 days.

14.2. We have seen an increase in the overall sickness figure during the first quarter due to the impact of a few long term absence cases across the organisation.

14.3. Action is being taken by the HR Team to manage these cases and although sickness absence is always hard to predict we should hopefully see a decrease in this figure by the end of the second quarter.

14.4. Sickness levels excluding long term illness have decreased when compared to the final quarter of 2011-12, at an average of 0.2 days in comparison to 1.2 days between January and March.

BUSINESS PLAN MONITORING

15. The Business Plan was reviewed in 2011/12 quarter 4 and up-dated to meet the changes in housing legislation and KCTMO's new challenges.

16. Business Plan Objectives

16.1. In Appendix 1, the Business Plan Objectives have been up-dated to show their progress towards the Business Plan Objectives at the end of Quarter 1 (30th June, 2012).

16.2. The 'Status' column is coloured as follows:

Dark Green	Completed item
Light Green	Item on target for completion
Amber	Item delayed but there is a robust plan for completion
Red	Item delayed and there are serious concerns regarding its completion
Blue	Target for completion of item scheduled for later in the year

16.3. The officers responsible are:

Service Plan Staff key	
CE	Chief Executive
CO SEC	Company Secretary
DPOD	Director of People & Development
HS&E	Head of Strategy & Engagement
DFIN	Director of Financial Services
HICT	Head of Information , Communications & Technology
ADHO	Assistant Director Home Ownership
ADP	Assistant Director of Partnering
PeM	Performance Manager
PrM	Project Manager
DCS	Director of Customer Services
ADCC&A	Assistant Director of Customer Contact & Access
DAIE	Director of Asset Investment & Engineering
ADNS	Assistant Director of Neighbourhood Services
HSR	Head of Supported Housing
CoM	Communications Manager
ODM	Organisational Development Manager
REM	Resident Engagement Manager
ET	Executive Team
SMT	Senior Management Team
PA	Principal Accountant
PIM	Policy & Improvement Manager

17. Progress

17.1. Senior managers have up-dated the Appendix at the end of Quarter 1.

Of the forty five items:

8 items have been fully completed

36 items are on target for completion

1 item is amber because there is further work to do to fulfil the needs of the Strategic Priority or because timescales have been revised

18. EQUALITY IMPACT ASSESSMENT

18.1. There are no particular equality impacts in terms of ethnicity, gender, religion, and other equality issues although we aim to provide a fair service for all residents.

19. CONCLUSION

19.1. The Board is asked to note the contents of the report.

APPENDICES

- A) KPI REPORT – April to June 2012
- B) BUSINESS PLAN OBJECTIVES – Progress Quarter 1



**BOARD KPI REPORT
2012-13**

BOARD KPI REPORT - 2012-13

DASHBOARD LEGEND



UQB

Upper quartile benchmark. In most cases this is obtained from the HouseMark report for London 2010/11. Where that is not available, it is obtained from the HouseMark National or ASB report.

Status

PI within target range

PI outside target range

PI significantly at variance from target

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BOARD KPI REPORT - 2012-13

Repairs & Customer Service Centre



	Q4	2011-12	Q1	Status	Target	UQB
Responsive repairs						
Post inspection failure rate	26.2%	21.8%	43.7%		<=10%	
Overall resident satisfaction (suspended 3mths)	98.1%	98.4%	susp		98%	
Average time to complete (calendar days)	16.8	14.8	9.9		9.0	6.1
Appointments made	91%	87.9%	TBC		80%	71%
Appointments kept	99%	97.5%	TBC		98%	98%
% Repairs completed 'right first time'	88%	94.2%	u/a		90%	94.5%
Gas servicing						
Properties with valid LGSC	99.8%	99.8%	99.4%		100%	100.00%
Properties without LGSC	16	16	29		0	
Without CP12 > 3 months	0	0	0		0	
Customer Service Centre						
Calls answered	20,725	70,523	19,961			
Calls abandoned (%)	89.2%	93.8%	88.8%		>=90%	
Average waiting time (secs)	36	34	19		<=40	
Void performance						
Number of re-lets	49	213	41			
Re-let time (calendar days)	19.0	23.95	25.50		24.0	20.3
% rental loss	0.48%	0.57%	0.73%		0.75%	1.14%
Units being prepared for letting	33	33	47		<=40	
Units unavailable for letting	3	3	4		<=6	

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BOARD KPI REPORT - 2012-13

Rent Collection & Home Ownership



	Q4	2011-12	Q1	Status	Target	Target for period	UQB
Rent collection							
Rent collected as a % rent due (inc arrears b/f)	97.02%	97.02%	96.72%		97.7%		
Rent collected as a % rent due (excl arrears b/f)	99.61%	99.61%	99.21%		100.23%		
Current arrears (£million)	1.173	1.173	1.190		1.073	1.148	
Arrears as % rent roll	2.83%	2.83%	2.67%		2.4%		
% of arrears over 7 weeks	5.79%	5.79%	5.98%		6.0%		
Former Tenant Arrears							
Cash Collection	£15,222	£60,815	£21,154		£63,716	£5,310	
Write Offs	£16,344	£159,956	£14,388		£182,158	£45,539	
Leasehold							
Service Charges collection rate	29.3%	107.4%	23.9%		102.17%	20.261%	
Major Works collection rate	63.6%	271.6%	33.3%		137.10%	20.409%	
Asset Management							
% Non-Decent Homes	5.0%	5.0%	5.0%		<=10%		
Average SAP rating	66.5	66.5	66.5		>=65		
% Capital Programme Delivery Spent of Annual Budget	99.5%	99.5%	TBC				

BOARD KPI REPORT - 2012-13

Neighbourhood Management



	Q4	2011-12	Q1	Status	Target	Target for period
Grounds maintenance						
Failed inspections	3.1%	3.2%	3.1%		5.0%	
Cleaning						
Callbacks	32	183	34		400	
QA failures	3	9	0		20	
ASB						
New cases	57	453	64			
Live cases	298	298	312			
% Closed cases successfully resolved	-	-	83.3%		>=88%	
Satisfaction with handling	42.9%	62.9%	85.7%		>=74%	
Satisfaction with outcome	58.3%	68.3%	100.0%		>=74%	
Community Alarms Service						
Total Calls Received	25,660	91,920	20,009			
Answered within 60 seconds	97.3%	97.4%	96.8%		90%	
Emergency visits attended within 45 mins	96.0%	95.6%	96.0%		90%	
Customer satisfaction	99.0%	99%	99%		90%	
Resident involvement						
No. residents engaging in all TMO events, activities and involvement opportunities	645	2103	317		1200	300
No. new residents signing up to become involved in decision making involvement activities	50	241	35		120	30
Attendance at AGM/Conference	n/a	188	-		120/100	
Number of new RA or Compacts	2	4	2		7	1

BOARD KPI REPORT - 2012-13

Complaints & Correspondence



	Q4	2011-12	Q1	Status	Target	UQB
Complaints						
Stage 1 complaints answered	66	247	63			
% answered in target	86.4%	77.7%	84.1%		90%	
Stage 2 complaints answered	6	37	0			
% answered in target	100.0%	73%	-		90%	
Appeals answered	0	1	0			
% answered in target	n/a	100%	-		90%	
Correspondence						
W2 Correspondence actioned	1399	4813	1671			
% answered in target	89.3%	89.6%	94.8%		90%	

BOARD KPI REPORT - 2012-13

Human Resources & Governance



	Q4	2011-12	Q1	Status	Target	Target for period	UQB
Human resources (quarterly)							
Total establishment	207	207	197				
Agency staff (%)	15.7%	16%	29%				
Sickness days absence per employee	3.0	9.3	2.5		6.6	1.65	8.2
Sickness days absence less long-term	1.2	2.6	0.2				
Governance (quarterly)							
Percentage attendance at Board meetings	73.3%	79%	80%				
No. TMO residents who are members	4138	4138	4202		4551	4241	

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Priority	Business Plan Objective	Task	Lead	Service Plan	Target date	Dependencies	Status	Comments	
1	Increase resident satisfaction and put customers at the centre of everything we do	Engage with residents and other providers	Continue the membership drive at estate roadshows and other events	HS&E	REM	Q1-4	RBKC, SMT	Item on target for completion	There are 4202 Members as at the end of June and we have an end of year target of 4553
2			Plan and launch Employment & Training Road Shows	HS&E	REM	Q1-4	RBKC, SMT	Item on target for completion	Launch of new road shows in Q4
3			Monitor and report quarterly to residents on the delivery of the Local Offers	HS&E	HS&E	Q2	SMT	Item on target for completion	
4			Monitor standards and report to residents and new regulatory framework	HS&E	HS&E	Q2		Item on target for completion	
5			Fully establish role in the worklessness agenda	HS&E	PIM	Q1-4	REM	Item on target for completion	RBKC launching project to link social housing tenants on benefits with employment & training opportunities. New TMO road shows to have a theme of employment, training and youth
6		Develop Neighbourhood Investment Plans (NIPs)	Develop plans covering Area Review Boards and link to asset investment, repairs and area based	DCS	DCS	Q1-4	SMT	Item on target for completion	
7	Raise Housing Service Standards by Delivering Quality and Accessible Services	Influence Council, regional and national	To encourage the role of the resident voice	CE	CE	Q1-4	ET	Item on target for completion	Concerted attempt to sign-up more residents as Members. Board training courses encouraged 16 residents to stand for the elections. Board members involved in all government consultations
8			Board to lead in a response to the Council's Housing Strategy which reflects the KCTMO Board view and considers the aspirations of current and future tenants	CE	HS&E	Q2	BOARD	Completed item	
9			Ensure that KCTMO respond to relevant consultations	HS&E	HS&E	As and when	BOARD	Item on target for completion	Board invited to respond to consultations: Localism Act; Housing & Tenancy Strategy; Right to Manage
10			Raise profile of KCTMO externally with positive press coverage and recognition for the work that we	CoM	CoM	Q1-4	ET, SMT, MF	Item on target for completion	Entered NFA and Third Sector Awards but were unsuccessful.
11	Raise housing service standards by delivering quality and accessible services	Improve Customer Access	Continue with the Customer Change Programme: To support the programme	ADCC&A	ADCC&A	Q1-4	ET, SMT & MF, PA, HICT	Item on target for completion	CSA Remote Pilot began 06.07.12 Mitel (Enterprise Edition) to be implemented. Willmott Dixon now onboard. Key Performance Indicators - progressing with assistance from Performance Manager. CSA learning development plan on schedule.
12	Raise housing service standards by delivering quality and accessible services	Deliver the Asset Management Programme	Develop a five-year Capital Works plan including more accurate programming of major works; review the stock through Keystone in order to achieve above; achieve accurate five year estimates	DA&R	DA&R	Q1-2	ADHO, DFS	Item on target for completion	
13			Develop and implement estate and block based asset investment plans as part of the wider Capital Programme	DA&R	DA&R	Q1-4	ADHO	Item on target for completion	
14			Ensure robust resident consultation and engagement mechanisms	DA&R	DA&R	Q1-4	ADHO	Item on target for completion	
15			Ensure the accurate, timely and compliant service of statutory notices	DA&R	DA&R	Q1-4	ADHO	Item on target for completion	
16		Review the repairs contract	Implement interim repairs arrangements	ADP	ADP	Q1	PeM	Completed item	Contract commenced 25.07.12, good start to the contract 1250 orders raised in the first 18 days, high volume due to poor exit performance of out going contractors

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17		Long term: Investigate alternative ways of delivering the service	ADP	ADP	Q1	PeM	Item delayed but there is a robust plan for completion	Work underway, looking at a number of options including ISP, JV or to re-tender going to board 9th September.	
18		Develop handyman role in sheltered housing	ADP	ADP	Q3	HSB	Item on target for completion	Have met with WDP who are keen to deliver this service to our sheltered sites. will be in place by end of August	
19		Review and develop property standards including minimum standards and void standards	ADP	ADP	Q3		Item on target for completion	Lettable standard to be reviewed as part of continued improvements to service, need to work with RBKC, look at direct lets and the future of CBL	
20		Improve access to services	ADP	ADP	Q3	CoM	Item on target for completion	Web based reporting repairs, and status information for residents with repairs reference number	
21	Ensure that there are accessible services across the Borough	Embed Blantyre Office as a key customer contact point	ADNM & ADCC&A	ADNM & ADCC&A & ADHO	Q1-4	ET, SMT, MF	Completed item	Blantyre office officially opened to customers on 20 February 2012	
22		Remodel former TMO2YOU services to over 50's drop in services	HSB	HSB	Q1-4		Item on target for completion	provide drop-in service at all five sheltered scheme	
23		Monitor and improve resident profiling	HS&E	PIM	Q1-4	SMT, MF	Item on target for completion	Ethnicity and age data 63% and 68% completed against target 70% for the year	
24	Launch quarterly newsletter and set up surgeries	ADHO	ADHO	Q1	CoM		Item on target for completion	Surgeries are up and running. ADHO working with Leasehold Board Members to develop further. Newsletter is still work in progress and should be completed by Q2	
25		Develop and implement the service charge modules – Finance	ADHO	ADHO, PA (works and services)	Q2	DFS	Item on target for completion	We have met with Capita and tested the module, some changes are required but progress is solid and once complete this will be the first module of this type within the sector	
26		Increase profile and access for Homeownership Services	ADHO	ADHO, PA (works and services)	Q1-4		Completed item	Revamped Home Ownership section on the TMO website and successful opening of the Blantyre office	
27		Increase Direct debit options	ADHO	ADHO, PA (works and services)	Q1-4		Completed item	There has been a huge drive on direct debits which has continued from 11/12 into Q1 of 12/13 - resulting in a further 87 lessees' signing up for direct debits - work on taking direct debits over the phone is complete with RBKC ICT for	
28		Increase payment options – implement Paris Browser	ADHO	ADHO – PA (works and services)	Q1		Completed item	Fully implemented, with £22k collected in Q1. Due to the increase in direct debits and payments plans we do not expect this to be a significant tool for leasehold income	
29	Grow our business and protect our assets	Develop a Strategy for Growth	Framework to be agreed by Board and implemented by Executive Team & Senior Management Team	CE	ET	Q1-4	ET, SMT	Item on target for completion	Growth Strategy discussed at Board Away Day
30		Work with RBKC to develop Hidden Homes as a pilot to the development of new housing opportunities	DA&R		Q1-4	ADNM	Item on target for completion	Holmfild House and Greaves Tower sites development process is underway. Planning applications to be processed in Q2 and tender process to start Q2	
31		Work with the Council to produce marketable Telecare solutions	DCS	HSB	Q1-4	DFS	Item on target for completion	KCTMO delivers tele-care services to 570 residents on behalf of the Council	
32		Review opportunities from West London framework	DCS	HSB	Q1-4	HS&E	Item on target for completion	Awaiting outcome of West London Area Framework contract	
33		Develop a Decent Homes Programme and develop a 10- year Investment Strategy	DCS	DA&R	Q1-4	ADHO	Item on target for completion		

Priority	Business Plan Objective	Task	Lead	Service Plan	Target date	Dependencies	Status	Comments
34		Roll out Project Management training	HS&E	PrM	Q1-4		Item on target for completion	Pilot already carried out with group of managers
35		Produce an annual Health & Safety report	POD	POD	Q1		Completed item	
36		Develop staff engagement through: Investors in People accreditation, Bi-annual staff review, staff forum	DPOD	ODM	Q1-4	ET, SMT, MF, POD	Item on target for completion	
37		Arrange a staff conference	DPOD	CoM	Q1-4	ET, SMT	Completed item	Event held 27 June and received good feedback from staff. A report has been written on the outcomes of this.
38		Ensure that our Learning and Development Plan reflects our needs and aspirations and the return on our investment	DPOD	ODM	Q1-4	SMT	Item on target for completion	Organisational Development Manager currently interviewing managers regarding training needs and aspirations
39	Governance	Improve our approach to Data Protection and Confidentiality	Co Sec		Q1-4	SMT, MF	Item on target for completion	Policies currently being reviewed
40		Embed Risk Management including management of contracts	HS&E	PiM	Q1-4	ET, SMT	Item on target for completion	All service plans have been risk managed and the Corporate Risk Map is reported to Finance and Audit Committee quarterly
41		Embed Business Continuity	HS&E	PiM	Q1-4	ET, SMT	Item on target for completion	Business Continuity principles are being used to produce an Olympic Action Plan
42	Electronic Document Records & Management System	Embed W2 (EDRMS)	PA	PA	Q1-4	ET, SMT, MF	Item on target for completion	
43		Help to improve IT literacy for our customers (Race Online - Go ON UK)	CoM & All	CoM	Q1-4	ET, SMT, MF	Item on target for completion	Promoted Go ON UK opportunity in Spring issue of the Link and 25 residents registered. Some sessions carried out and scheduled through July-Sep
44		Review Communications Strategy	CoM	CoM	Q2		Item on target for completion	Report drafted
45		Review internal communications (intranet, W2 (EDRMS), Keystone and information management)	HICT	HICT, CoM	Q1-4	SMT	Item on target for completion	