

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

BOARD MEETING

Wednesday, 20 July 2016, 6:30pm

Board Room, 3rd Floor, 346 Kensington High Street. W14 8NS

**The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited**
(the "Company")

Agenda

Meeting of the Board of Directors ("Board") of the Company
to be held on 20 July 2016 at 6:30pm
at Board Room, 346 Kensington High Street, London W14 8NS

Agenda Item	Report Name	Presenter	Action	Time	Enclosure
PART A - OPEN					
1.	Notice, Apologies and Quorum	Chair	-	3mins	-
2.	Declarations of Interest*	Chair	Decision	2mins	√
3.	Minutes of the meeting held on 31 March 2016	Chair	Discussion	5mins	-
4.	RBKC Annual Review	RBKC Housing Commissioning Team	Discussion	15mins	√
5.	HRA Commercial Portfolio 2014/15	Business Development Manager	For Information	10mins	√
6.	Performance Report	Executive Director of People and Performance	For Information	20mins	√
7.	Chief Executive's Report	Chief Executive	Decision	10mins	√
8.	Board Membership Matters	Company Secretary	For Information	15mins	√
PART B - CONFIDENTIAL					
9.	Minutes of meeting held on 26 May 2016	Chair	Decision	5mins	√
10.	Matters Arising	Chair	Discussion	5mins	√
11.	Draft Consolidated Financial Statements for the period to 31 March 2016	Executive Director of Finance and ICT	Decision	45mins	√
12.	Contract Approval: Estate Cleaning Contract	Director of Housing, Neighbourhood Management	Decision	20mins	√
13.	ICT Strategy	Executive Director of Finance and ICT	Decision	10mins	√

14.	Board Terms of Appointment	Company Secretary	For Decision	10mins	√
15.	Revised Terms of Reference for Appointments & Remuneration Committee	Company Secretary	For Information	5mins	√
16.	Subsidiary Update	-	For Information	-	√
17.	Committees Update	-	For Information	-	√
18.	Board Forward Plan	-	-	-	√
19.	AOB	Chair	-	-	-
20.	Date of the next meeting – 29 September 2016	-	-	-	-

Notes:

- (1) Board Members should send in their apologies to the Company Secretary by email or by calling on [REDACTED]
- (2) * Every member of the Board has a duty under Section 182 of the Companies Act 2006 to declare any interest in any transactions or arrangements with the Company under consideration, or section 177 of the Companies Act 2006 to declare any interest in any proposed transactions or arrangements with the Company under consideration in accordance with the Company's Articles of Association. Any interests should be declared to the Company Secretary on, or before the meeting.
- (3) * A person who has declared an interest will neither attend the discussion leading to a decision on the conflicted matter nor vote on it.

**THE ROYAL BOROUGH OF KENSINGTON & CHELSEA TENANT MANAGEMENT
ORGANISATION LIMITED**
(the '**Company**')

Minutes of a meeting of the Board of Directors ('**Board**') of the Company
held on 26 May 2016 at 6.30 pm
at 346 Kensington High Street, London W14 8NS

PRESENT:

Resident Board Members	Fay Edwards Kush Kanodia Anne Duru Brendan Tracey Maria Escudero-Barbaza Mary Benjamin Deborah Price	- Chair
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Council-Nominated Board Members	Cllr. Maighread Condon-Simmonds Jeff Zitron	Left at 8.20pm
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Independent Board Members	Simon Brissenden Peter Chapman
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APOLOGIES:	Tony Annis Paula Fance Cllr. Judith Blakeman Anthony Preiskel
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IN ATTENDANCE:	Robert Black Barbara Matthews Yvonne Birch Sacha Jevans Fola Kafidiya-Oke Rupa Bhola Janet Seward Ian Smith Gill Petford Daniel Asamoah	Chief Executive Officer Executive Director of Financial Services & ICT Executive Director of People & Performance Executive Director of Operations Head of Governance & Company Secretary Assistant Director of Financial Services Policy Adviser Member – for the open section Executive Manager Minutes
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13. MINUTES OF THE MEETING HELD ON 4 JANUARY 2016

- 13.1 The Board considered the minutes of the meeting held on 31 March 2016, and **RESOLVED TO** agree and approve minutes as a true and accurate record of the meeting.

14. MATTERS ARISING

- 14.1 This Board **NOTED** the update on the matters arising log.

15. CHIEF EXECUTIVE'S REPORT

- 15.1 Robert Black presented his update report.
- 15.2 The Board **NOTED** the contents of the report.

16. BUSINESS PLAN 2014-17 – DELIVERY PLAN UPDATE

- 16.1 Janet Seward presented the updated delivery plans for the strategies arising from the Business plan of the Company. The Board were reminded that the five strategies were:
- Customer strategy;
 - People strategy;
 - Community investment strategy;
 - Growth strategy; and
 - Value for money strategy
- 16.2 The Board noted that a further update would be provided in November 2016. Robert Black informed the Board that the CRM software had gone live and so far the experience had been great. The Board agreed to defer discussions on CRM to its Board Away Day in June.
- 16.3 The Board **NOTED** the contents of the report.

17. RESIDENT BOARD ELECTIONS 2016 UPDATE

- 17.1 Fola Kafidiya-Oke presented an update on the elections for Resident Board Members.
- 17.2 The Board noted that the nomination process had been simplified and members would have online access to the nomination form. The Board also noted that nominees would have a 1-2-1 sessions to help them understand the role of a Board member.
- 17.3 The Board noted that there are two vacancies arising in the Independent Board Member category, a rotational retirement for Simon Brissenden (who had consented to be reappointed), and a resignation by Peter Chapman who had served on the Board for 9 years. Robert Black thanked Peter Chapman for his support during his time on the Board and Fay Edwards joined by thanking Peter Chapman on behalf of the Board and residents.
- 17.2 This Board **RESOLVED TO:**
- (a) appoint Tony Slater of Mi-Voice as the returning officer for the Resident Board Member Election 2016;
 - (b) note the issuing of a notice published to the Members, of the Election Date for

2016; and
(c) note the forthcoming vacancies on the Board.

18. ANY OTHER BUSINESS

18.1 There was no other business to consider.

19. DATE OF NEXT MEETING

19.1 The next meeting of the Board would be on 20 July 2016.

20. CLOSE OF THE MEETING

20.1 The meeting was closed at 8:48 pm.

**REPORT ON KENSINGTON AND CHELSEA TENANT MANAGEMENT
ORGANISATION'S PERFORMANCE REVIEW 2015/16 AND KENSINGTON AND
CHELSEATENANT MANAGEMENT ORGANISATION'S PERFORMANCE
AGREEMENT 2016/17**

**REPORT BY THE DIRECTOR OF HOUSING AND TOWN CLERK AND
EXECUTIVE DIRECTOR OF FINANCE**

FOR INFORMATION

The purpose of this report is to introduce two documents; Kensington and Chelsea Tenant Management Organisation's (KCTMO) Performance Review 2015/16 considers RBKC TMO performance against a range of indicators and audits for 2015/16 and the TMO Performance Agreement for 2016/17 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 KC TMO through the Modular Management Agreement. The activities undertaken through this delegated authority are monitored by the Housing Department on an ongoing basis through a performance management framework. The framework looks at the activity and achievements of KCTMO 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 3) the framework is used to look back at the performance of the last year in the Annual Review 2015/16 against the key priorities set out in the Performance Agreement for 2015/16 (and updated in the six month report to the Scrutiny Committee on 5 November 2015). The second part of the report, Appendix 2 (page 23), the Performance Agreement 2016/17, looks at the work programme and priorities for the coming year and sets out the performance targets that KCTMO is expected to achieve during the year.
- 1.3 The Performance Agreement for 2016/2017, which the Council will use to monitor KCTMO's performance, has been agreed with KCTMO. Monitoring of the Agreement will take place quarterly and will be reported to regular meetings with the Director of Housing and KCTMO 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 2015/16

- 2.1 This paper forms Appendix 1 of this report. It describes KCTMO's performance against the 2015/16 Performance Agreement that includes a range of housing activities, key performance indicators (PI's) and the Audit Plan for 2015/16.

2.2 Executive Summary

- 2.2.1 Performance across the three key areas is to be commended as there has been considerable success. Nine of the fifteen performance targets were met, three were within the tolerated threshold and the two external investment PI targets were missed (HS31 and L4101). This was due to the need to confirm that the KCTMO's procurement framework was compliant in terms of allowing for recharges on leaseholder major works. KCTMO's audit programme delivered an outstanding result with six audits receiving a substantial rating, and to date, no audits were classified as limited.
- 2.2.2 The Grenfell Tower project is just finishing, this has delivered £10.3m of investment improving thermal efficiency with new heating and double glazing, providing nine new homes and a refurbished nursery and boxing club. The full capital programme allocation was spent. The commercial portfolio generated an income of £3.115m from commercial rents in 2015/16. The workstreams which form KCTMO's core business around welfare reform, resident engagement and health and safety continue to be delivered enabling the Council to meet its statutory duties and strategic aims.
- 2.2.3 Further details of the performance can be found in Appendix 1

3. CONCLUSION FOR 2015/16

- 3.1 KCTMO has demonstrated its on-going commitment to providing quality housing management services and to being the key strategic partner in delivering the Council's objectives for the housing stock and residents across a range of operational areas. As well as delivery against the agreed performance indicators the pro-active asset management ensures that the Borough's stock, both residential and commercial, is being maximized in terms of use and rental income; compliance with audit and health and safety legislation protects both residents and the Council's standing; and adapting and working with the Borough to implement new legislation and working practices ensures that the Borough continues to provide quality housing services within the resources available.

4. THE PERFORMANCE AGREEMENT FOR 2016/17

- 4.1 The Performance Agreement for 2016/17, attached at Appendix 2, is designed to meet the Council's housing priorities, both in the local and national context over the next year. Many aspects of the work started last year will continue; the roll out of Universal Credit, worklessness, digitalisation, the programme of cyclical repairs and planned improvements.

- 4.2 The big challenge will be to maintain the high standards in a time of financial uncertainty as identified in the HRA Business Plan. Continued close working will ensure that the aims and priorities of both the Council and KCTMO will met and quality services will be delivered to the residents, within the available resources.

Laura Johnson
Director of Housing

Background papers used in the preparation of this Report:

None

Officer contact: Celia Caliskan, General Needs Housing Commissioner –
celia.caliskan@rbkc.gov.uk [REDACTED]

TMO ANNUAL REVIEW 2015-16

1.	Executive Summary A commendable year based on performance across the three main monitoring areas: <ul style="list-style-type: none"> • Performance Indicators - nine of the fifteen performance targets were met, three were within the tolerated threshold and only the two external investment PI targets were missed (HS31 and L4101) for a key reason (see 3.1 below) • RBKC Audit scored six audits, including health and safety, risk management and accounting as substantial, with the remainder classified as satisfactory (see 3.2) • Business Activities: <ul style="list-style-type: none"> ○ Completion of the £10.3m project at Grenfell Tower ○ Income generation of £3.115m on the commercial portfolio ○ Continued commitment to residents going over to Universal Credit ○ Compliance with various health and safety requirements (fire, gas and electrical safety) ○ Supporting the active asset management approach to maintain and improve the stock to maximise the rent return. 	
2.	Purpose of the Report The purpose of this report is to assess KCTMO'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	
3.	Key Areas of Performance	
3.1	Performance Indicators (PIs) –	<ul style="list-style-type: none"> • Nine of the fifteen PI targets were achieved. Three were within the accepted threshold of the target and two PIs missed their target. • Despite issues with the Council's Agresso system rent and leaseholder collection rates were met. • Inspection pass rates and satisfaction with repairs has improved considerably from last year.

							<ul style="list-style-type: none"> • Relets times have reduced by 5 days since last year and void loss has reduced to 0.73%. • There are mitigating circumstances why the external investment PIs were not met. The externals programme depended on the decision from the Leasehold Valuation Tribunal about the validity of the use of KCTMO's procurement framework, this was given in June. Time was allowed for a challenge and then the programme was revisited in light of other asset management priorities.
Ref	Performance indicator (PI) title	Good is?	2014-15 Actual	2015-16 Target	2015-16 Actual	Achievement	Commentary
HS 1	Post inspection pass rate >=90%	HIGH	63.49%	>=90.0%	92.25	☐	Performance improved across all categories with 4 of the key Repairs Direct PIs achieving target, with the remaining two below target but within tolerated limits and all showing improvements when compared to outturns for 2014-15. The focus moving into 2016-17 will target continued improvement across all measures.
HS30	Satisfaction with responsive repairs (Repairs Direct)	HIGH	93.69%	>=95%	97.14%	☐	
HS 2	Local authority tenants satisfaction with landlord services. (Biennial)	HIGH	78.9%	Not collected	Not collected	-	The next proposed survey is 2016. The 2013 Test of Opinion showed tenant satisfaction at 78.9% and tenant and leaseholder satisfaction at 75.3%.
HS 20	Number of homes brought up to the Investment Standard internally	HIGH	327	1004	933	☐	The focus this year has been on internal work (kitchens and bathrooms).
HS 31	Number of homes brought up to the	HIGH	1420	2157	120	☐	External works (windows and cavity wall insulation which influences SAP ratings)

	Investment Standard externally						planned for 2015-16 have been slipped into 2016/17 to allow Section 20 leaseholder consultation processes to take place.
L4101	Number of homes where SAP rating has increased through planned works	HIGH	1341	1091	120	↗	
HS9	Rent collection and arrears recovery: rent collected (including arrears brought forward). (YTD)	HIGH	97.69%	98.13%	99.20%	↗	At year end current tenant rent arrears stood at £1,035,802, against a target of <=£984,493. Ongoing Agresso problems continue with missing rent payments totalling £63,000. If these payments had been received directly into accounts, arrears would have ended the year below the £984k target. A collection drive during Q4 and, to some extent, payment of refunds on service charges for heating and hot water then applied to rent arrears, has assisted in the reduction of arrears.
L4104	Rent collection and arrears recovery: seven weeks arrears. (YTD)	LOW	3.96%	4.5%	4.38%	↗	The TMO continues to be a top quartile performer for both rent collection and arrears as a percentage of rent roll.
L4108	Average number of days to re-let local authority housing. (YTD)	LOW	23.86	23	18.69	↗	Over 200 general needs and 10 sheltered accommodation homes were re-let, plus temporary accommodation units, temporary decants and lets at Burgess Fields. The average turnaround of a standard minor works void was 18.69 days. This low turnaround and

							<p>decrease in the number of properties requiring major works has meant void loss decreased from 1.28% in 2014-15 to 0.73% - in monetary terms this equates to a saving of over £250k.</p> <p>When compared to the quartile positions for our HouseMark peer group, our outturn for 2015-16 puts the TMO in the top quartile for both the average re-let time and void loss.</p>
HS 11	Proportion of approved housing capital investment programme spent. (YTD)	HIGH	99.8%	100%	103%	□	Spend was £11,846,266 against the budget of £11.5m. The £314,555 is being funded from the 16/17 budget.
HS 6	Collection rates – leaseholder service charges. (YTD)	HIGH	104.681%	100.172%	113.375%	□	Targets for the collection of leasehold service charges and major works invoices were met for 2015-16.
HS 7	Collection rates – leaseholder major works. (YTD)	HIGH	129.884%	69.689%	105.638%	┘	For the HouseMark PI 'Arrears as a % of service charges due', the TMO has retained a top quartile position when compared to 14-15 peer group outturns.
L5154	Collection rates and arrears: Travellers Site	HIGH	103.40%	100%	98.27%	┘	Within 2% of target – the low number of occupants on the site means that it only takes one account to be out of target before the 100% collection rates and arrears target is missed
L5157	Percentage of Units Available for Letting but Vacant	LOW	0.67%	0.65%	0.71%	□	Within 10% of target - a slight increase in the number of properties undergoing major works resulted in a higher level of voids due to longer turnaround times,

							plus some delays with allocations due to vulnerable applicants.																																				
L5258	Percentage rent collected (excluding arrears brought forward)	HIGH	99.65%	99.96%	101.07%	□	See commentary for H9																																				
3.2	Audits																																										
	The audits for 2015/16 were as follows:	<table><tr><th>Service Area</th><th>Audit</th><th>Outcome</th></tr><tr><td>Corporate Accounting – KCTMO and Repairs Direct</td><td>Full Review</td><td>Substantial</td></tr><tr><td>Leaseholder consultation and Debt Management</td><td>Full Review</td><td>Substantial</td></tr><tr><td>HRA Accounting</td><td>Full Review</td><td>Substantial</td></tr><tr><td>IT Network Security</td><td>Full Review</td><td>Satisfactory</td></tr><tr><td>IT Server Infrastructure</td><td>Full Review</td><td>Postponed to Q1 16/17</td></tr><tr><td colspan="2">Operations:</td><td></td></tr><tr><td>Housing Rents</td><td>Full Review</td><td>Satisfactory</td></tr><tr><td>Housing Management</td><td>Full Review</td><td>In draft</td></tr><tr><td>Lifts Contracts - Management</td><td>Full Review</td><td>Substantial</td></tr><tr><td>Property Data and Standards Team – Asset Management</td><td>Full Review</td><td>In draft</td></tr><tr><td>Cleaning Contract - Management</td><td>Full Review</td><td>Satisfactory</td></tr></table>						Service Area	Audit	Outcome	Corporate Accounting – KCTMO and Repairs Direct	Full Review	Substantial	Leaseholder consultation and Debt Management	Full Review	Substantial	HRA Accounting	Full Review	Substantial	IT Network Security	Full Review	Satisfactory	IT Server Infrastructure	Full Review	Postponed to Q1 16/17	Operations:			Housing Rents	Full Review	Satisfactory	Housing Management	Full Review	In draft	Lifts Contracts - Management	Full Review	Substantial	Property Data and Standards Team – Asset Management	Full Review	In draft	Cleaning Contract - Management	Full Review	Satisfactory
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3.3	Respond to the impact of welfare reform																
3.3.1	Universal credit being paid directly to tenants.	<p>Universal Credit (UC) was introduced in the borough on 9th November 2015. Since its introduction, KCTMO has been working closely with RBKC's Revenues Team to identify and support those who have migrated over to UC.</p> <p>A new module has been implemented within Capita Housing to ensure KCTMO can monitor those who are claiming UC, to enable the Welfare Reform Officers to manage initial cases and also to help the Rent Income Team identify those who are in arrears and are in the process of claiming UC.</p> <p>At year end, KCTMO were aware of 20 tenants who are claiming UC. Further work is being undertaken with the DWP to ensure KCTMO is notified of any new claims and understand the process of submitting an Alternative Payment Arrangement (APA), for housing payments to come directly to KCTMO.</p> <p>The Welfare Reform Officers have written to all those tenants who are most likely to be migrated onto UC, providing information and offering an appointment to discuss their personal circumstances. This will continue for those who have started to claim UC, with further training also planned for the Rent Income Team to ensure they can effectively manage arrears cases.</p>															
3.3.2	Work will need to continue on long-term solutions around households that may need to consider moving to smaller accommodation or cheaper	<p>KCTMO continues to work with RBKC on long-term solutions for households who need to move to smaller accommodation due to the welfare reform changes. These include:</p> <ul style="list-style-type: none"> • Mutual exchange (for which there are financial incentives); 															

	areas because their current housing is no longer affordable.	<ul style="list-style-type: none"> • Transfer to smaller accommodation (for which there are financial incentives and priority points are given); • Employment opportunities through Pathways to Work; • Advice obtainable at KCTMO road shows, resident events and estate surgeries. <p>At year end 288 tenants were impacted by the social sector size criteria and 13 by the benefit cap. KCTMO has carried out 11 mutual exchanges for those affected by the welfare changes and there have been 5 transfers.</p>
3.3.3	The TMO will continue to work with the Council on the delivery of support for workless tenants and households	<p>KCTMO's second 'Get Wise' Roadshow was held on 16th April at Henry Dickens Court. This joint event with local housing providers, external agencies and various KCTMO departments offered a wide range of training support around the three main themes, Health and Wellbeing, Employment & Training and Finance and Budgeting.</p> <p>RBKC carried out a jobs roadshow at the KCTMO residents' conference in September. This roadshow was well attended by residents looking to get back into work.</p> <p>The TMO will continue its integral involvement in the RBKC Housing and Worklessness project and its obligations under the Pathways to Work Charter. The TMO's Welfare Reform officers continue to work with residents in receipt of benefits (as covered at 3.3.2 above), and refer to various employment support agencies where appropriate in line with the Charter.</p>
3.4	Investing in the Borough's Stock	
3.4.1	The TMO will continue to work with the Council on the HRA business planning and asset management	The reduction of social rents by one percent for four years and the introduction of a levy in respect of high value voids are likely to give rise to a deteriorating financial outlook for the HRA.

		<p>Future levels of capital expenditure are therefore uncertain. It is anticipated that the position will be clearer when the HRA Business Plan is refreshed later in the year.</p> <p>Asset management has focussed on how the TMO's 5 year capital programme aligns with the Council's regeneration proposals, ensuring that investment standards are maintained.</p>
3.4.2	The TMO will continue to work with the Council on asset investment projects.	<p>Grenfell Tower Regeneration</p> <p>The regeneration of Grenfell Tower is complete except for the final piece of environmental work around the block. The work has delivered:</p> <ul style="list-style-type: none"> • New controllable communal heating to 120 flats (with individual control) • New double glazed windows • Thermal overcladding • New entrance • 9 New Hidden Homes at an average cost of £100,000 per unit. • Community Room • Boxing Club • Nursery <p>Trellick Tower</p> <p>A programme of planned cyclical repairs at Trellick Tower is being undertaken. This will include:</p> <ul style="list-style-type: none"> • Roof replacement and repair • Specialist building fabric repairs • Restoration of private dwelling windows • Replacement of communal area windows • Decoration of previously painted surfaces including windows and private balcony areas <p>The estimated cost of this work is currently £7.23m. It is expected work will commence in autumn 2016 and complete late 2017.</p>

		<p>Hidden Homes</p> <p>Whistler Walk completed in August 2015 and delivered 7 new homes within budget.</p> <p>Holmefield House will be on site shortly, this will produce one new residential unit from a converted office and resident's room.</p> <p>Feasibility studies are being carried out on 4 other sites.</p>
3.4.3	Capital Programme Monitoring	Regular capital programme monitoring is taking place involving KCTMO and the Housing Department's Regeneration, Finance and Housing Commissioning teams. Included in this year's work programme has been the introduction of the new process of issuing works estimates to leaseholders and a process for investment of estates being considered for regeneration.
3.4.4	The Capital Works Procurement framework	Following the establishment that the procurement framework is a Qualifying Long Term Agreement and does meet the requirements in terms of a valid leaseholder consultation (section 20 notices) in June 15, KCTMO is now using the asset management framework arrangement it developed to provide contractors and consultants for capital works (contractors - KeepMoat and Wates and consultants - JRP and Baily Garner).
3.5.	Repairs Direct	<p>The business has seen an improving trend in service delivery metrics, with an improvement in KPI scores across 2015/16. Further, all KPI were green in both March and April 2017, following an increased and daily focus on the drivers.</p> <p>Following the appointment of a new, permanent managing director in January 2016, further recruitment has continued at a pace, with all senior roles now appointed and activity underway on all other vacancies. All long term absence cases have been resolved, short term absence remains within acceptable parameters and staff turnover remains low.</p>

		<p>The Repairs Direct and TMO Boards have recently approved a new 5-year business plan, which will see investment in service delivery to residents, funded from business profits and expansion in to new revenue generating customers, starting with paid for services being offered to tenants. Services to RBKC residents will remain the core of the business.</p>
3.6	Disposals	<p>Cabinet has given approval for disposal of four HRA properties and one conversion to intermediate rent.</p> <p>There have been two completed disposals this year and a third is out to the market currently.</p> <p>Disposal of the fourth property has been halted whilst decant opportunities for the remaining tenant are being investigated.</p> <p>Similarly, the property identified for conversion to intermediate rent has been stalled because the property has not been vacated by the temporary residents and the Council is attempting to resolve this situation.</p>
3.7	Temporary Accommodation (TA)	<p>Where the Council has been buying back properties on estates scheduled for regeneration properties, the properties are being let as TA while regeneration plans are progressed. This will insure a continued income stream and provide much needed units of in-borough TA. Housing, Corporate Property and KCTMO have been working closely to make arrangements for these properties to be leased and managed by KCTMO, along with the portfolio of other TA and hostel accommodation.</p>
3.8	Intermediate and Market Rent	<p>Further conversion of a small number of properties to intermediate and market rent is being considered as part of the Asset Management strategy for units identified as non-performing assets, and for buy back properties, in order to maximise the rental income.</p> <p>There is currently work around the heads of terms, leases, tenancy agreements and the service level agreements to ensure the governance is in place for these</p>

		arrangements to become operational. KCTMO will provide housing management for both products but the letting of intermediate rented properties will be through the Council's Allocations team, and the market rented properties will be through agents employed by Corporate Property.
3.9	MMA	<p>The review of the Modular Management Agreement with KCTMO was agreed in November 2015. This confirmed a number of amendments, including:</p> <ul style="list-style-type: none"> ○ Changes to the insurance clauses to reflect actual practice ○ Changes to the termination process to streamline the process which when used in respect of the Lancaster West Estate MMA was confusing and contradictory. ○ Removal and changes to clauses that are covered by the agreed Financial Protocols that have been updated to align with the revisions to the MMA ○ Re-instating the allocation of tenancies to the Council ○ Revising the Commercial Properties section to reflect actual practice ○ Revising the terminology in respect of Council nominees <p>Work has started on a further revision to include the work around Intermediate and Market rent, the procurement framework and further legislative changes, such as Pay to Stay.</p>
3.10	Digitalisation	
3.10.1	Tackling the digital divide by considering how to address barriers that are preventing tenants benefiting from these technologies.	<p>KCTMO has developed its Digital Inclusion Plan, which will support the aims of the Corporate Investment Strategy, which includes a section on digital inclusion, namely:</p> <p><i>Facilitating digital inclusion to enable access to apply for benefits, jobs and services online</i></p> <p>This plan will involve the development of Digital Champions, both of staff and resident volunteers and signposting residents towards local pre-existing services in the Borough that provide digital inclusion support.</p>

		<p>As part of the KC Places programme which is investing in our community clubrooms, Wi-Fi has been installed as a pilot in the Kensal Resource Centre which is part of the Kensal New Town estate. KCTMO has also contributed to the RBKC IT hub in the south of the borough based at the Chelsea Theatre.</p> <p>KCTMO was involved in the development of the Tri-borough Project looking at the issue of digital inclusion for social housing tenants.</p> <p>Residents' internet Access has been included within the tenancy check process.</p>
3.11	Health and Safety	
3.11.1	Health and safety issues in the social housing sector that have arisen during this year include: window safety, fire safety and cleanliness at supported housing schemes.	<p>Adair & Hazlewood Towers Update on works to comply with the Enforcement Notices</p> <p>Following the fire at Adair Tower in October the investigation by the London Fire Brigade (LFB) and by the Police considered it to have been non- accidental (arson). The Police arrested the alleged perpetrators and charges are expected to be brought against these individuals. Investigations are ongoing.</p> <p>Following the LFB's investigation and post-fire audit of Adair Tower and their subsequent audit of its sister block Hazlewood Tower, (which is identical in design and construction) KCTMO/RBKC was served with two Enforcement Notices – one relating to each block. The key matters raised in the Enforcement Notices relate to the installation of self-closing devices on all flat entrance doors and the requirement to review the protection to each communal staircase and ventilation to the lift lobbies to ensure that both staircases are not affected by smoke and are available for use by residents and attending fire crews.</p> <p>KCTMO and RBKC agreed to ensure that all flat entrance doors in both blocks are sufficiently fire-rated and fitted with self-closing devices. Contractors are currently on site. Inspections have been completed on the majority of the doors with further</p>

		<p>attempts to obtain access to the remaining flats ongoing. An access procedure has been adopted and in cases where access is persistently withheld residents will be referred to legal services who will pursue access via legal means. Contractors have also commenced the necessary remedial work / door replacement.</p> <p>To clarify the LFB's requirements in relation to ventilation and protection within lift lobbies and staircases as set out in the Enforcement Notices, KCTMO engaged the services of specialist fire engineering consultancy, Exova. Exova liaised with the LFB to clarify its requirements, investigated the original building design criteria (confirming that this was still being met), inspected and surveyed both blocks and produced a report making recommendations to satisfy the LFB's requirements. Further, Exova was then involved in producing the draft specification for the recommended works to address the ventilation and protection issues.</p> <p>The finalised recommendations from the Exova report and KCTMO's costed proposal for how these are to be achieved was approved by RBKC's Director of Housing.</p> <p>The contractor undertaking the works to upgrade / replace the flat entrance doors has also been appointed to undertake the works to address the LFB's ventilation concerns by installing fire-rated screens to fully enclose the lift lobbies and separate them from the accommodation staircase. Both programmes of work are currently on target to be completed by early August 2016.</p> <p>The LFB has been updated on KCTMO's progress with meeting the requirements of the Enforcement Notices at the regular (bi-monthly) KCTMO / LFB Liaison meetings. Further the LFB have been provided with a copy of the recommendations from the Exova report and asked to confirm their approval for the works to proceed.</p> <p>The LFB has agreed a three month extension on both Enforcement Notices requested by KCTMO as the original contractor engaged to complete the work went in to liquidation part way through the inspection process and it took longer</p>
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		than expected to complete the specification for the ventilation and staircase protection works. All works are on target to be completed within the extended period.
3.11.2	Other Health & Safety work	<p>Significant work was undertaken to enable the Health & Safety Committee to better monitor health and safety compliance. The Committee's Health & Safety Action Plan has now been supplemented by a range of regular reports covering areas such as workplace health and safety, Fire Risk Assessments, Accidents and Dangerous Occurrences and a suite of Key Performance Indicators which are presented on a quarterly basis.</p> <p>In this reporting period particular areas to highlight -</p> <p>H&S Internal Audit</p> <ul style="list-style-type: none"> • RBKC undertook an internal audit of KCTMO health and safety and the result was a rating of "Substantial Assurance". This is a significant improvement from the "Limited Assurance" rating in 2012/13 and "Satisfactory" in 2013/14. <p>Fire Safety</p> <ul style="list-style-type: none"> • The Programme of Fire Risk Assessments (FRAs) within communal areas required by fire safety legislation, is ongoing and continues to adhere to best practice guidelines and comply with London Fire Brigade (LFB) requirements. • LFB Liaison - bi-monthly meetings between KCTMO and LFB continue. LFB continue to undertake familiarisation visits to the blocks, offer Home Fire Safety Visits to our residents and have been encouraged to participate in our Resident Roadshows. • Progress with the programme of electrical inspection and testing within dwellings and communal areas continues with the communal programme now running at 100% compliancy rate. Inspections within dwellings incorporate the installation of a hard-wired (with battery back-up) automatic fire detection system and 95% of the tenanted stock is now compliant. To address access issues that have prevented this programme reaching full compliance a new access procedure was drafted in liaison with legal services

		<p>and is being used to ensure persistent non-access is addressed effectively. This has significantly increased resident safety and has contributed to the low number of injuries in fires within the stock.</p> <ul style="list-style-type: none"> • Continue to produce regular publicity in the residents' magazine (The Link) and also within the Home Owner Newsletter to promote fire safety and publicise our "stay put" strategy, policy on communal area storage, approach to mobility scooter storage and charging etc. • Continued liaison with Ofcom has prevented further pirate radio activity on roofs of the high-rise blocks in the last year. • With regard to resident safety gas servicing continues to run consistently at 100% with legionella prevention measures also attaining high compliancy rates. • H&S Policies – Gas Safety, Water Quality and Asbestos Policy have all been reviewed and updated in this period and the Asbestos Management Plan is also being finalised following a recent review <p>Staff Health & Safety</p> <ul style="list-style-type: none"> • With regard to staff health and safety there is an ongoing programme of workplace inspections and risk assessments, work activity risk assessments, allocation and monitoring of lone worker safety devices, accident and violent incident investigation, regular health and safety training etc. • DSE on-line self- assessment software has been purchased and is currently being trialled by the Health & Safety Committee in advance of roll out to all staff
3.12	HRA commercial portfolio	<p>The portfolio currently comprises 182 properties, producing a commercial income in 2015/16 of £3.115m. Operational management is provided via a Service Level Agreement between KCTMO and RBKC Corporate Property, which sets out mutual responsibilities and details performance expectations.</p> <p>There was around a 5% commercial rental income increase, which totalled £2.973m in 2014/15.</p>

		<p>Rent collection in the year also dipped to £2.90m, with aged debts (over 60 days old) totalling £248k at year end. Whilst Corporate Property still achieved its KPI target of keeping aged debt below 5% of the total rent roll, the increased arrears reflected administrative problems encountered with the implementation of Agresso, the new tri-borough finance system.</p> <p>These administrative problems are now resolved, but their resolution reduced staffing capacity to progress other priority areas. For example, implementation of new leases on telecoms sites and completion of work to revalue and address issues on HRA properties occupied by RBKC departments without formal leases has been deferred to 2016/17.</p> <p>However, lease renewals and rent reviews were successfully completed in the course of the year, most notably for the Fulham Road shop units leased to Stella McCartney, where negotiation resulted in a rent increase being phased over five years.</p>
3.13	Parking Review – Commercial Workstream	<p>This KCTMO-led project will in future generate c£1m pa in new income by leasing underutilised estate parking sites for commercial redevelopment.</p> <p>Acklam Road (Swinbrook Estate) A new lessee, Brunel Estates, was identified for this site following withdrawal of the previous proposed lessee prior to completion. July 2015 Cabinet approved a lease that will convert the site to a business hub and generate £200k pa in new income on a 25 year term. Lease completion is estimated for 2016/17 Q2, subject to our approval of the lessee's construction proposals.</p> <p>Lowerwood Court (Convent Estate) This site was brought forward for commercial leasing in 2015/16. February 2016 Cabinet approved a lease to Second Home, which will convert the site to offices with auxiliary café and exhibition spaces and generate £550k pa in new income on a 20 year term. Lease completion is estimated for 2016/17 Q4, subject to final legal agreement and our approval of the lessee's construction proposals.</p>

		<p>Holmefield House Leasing of this site to Iridium Assets for conversion to self-storage was originally agreed by Cabinet in October 2014. Lease terms have subsequently been renegotiated and the agreed rent increased. Cabinet approved the improved terms in November 2015, but further site investigative work has been required. Lease completion is now estimated for 2016/17 Q3.</p> <p>Walnut Tree House (Tregunter Estate) Lease of this site to Fortbox completed in 2014/15. However, there have been considerable problems with water ingress, which prevented the lessee from fully trading the site. We have been working with the lessee to resolve these and ensure the site becomes operational and starts paying the agreed rent.</p>
3.14	Parking Review – Enforcement Workstream	<p>This joint project between KCTMO and RBKC Transport & Highways enabled enforcement of estate car parks via statutory traffic management orders, preventing uncontrolled parking and protecting the c.£800k pa HRA income from sale of parking permits.</p> <p>On-street and off-street traffic management orders were made statutory in Q2 and Q3 2015/16. Works to amend signage and lines on the estates were then carried-out in Q4, with new permits issued and patrols commencing shortly thereafter.</p> <p>Eight estates were excluded from the traffic management orders following objections received from residents during consultation. At present there is no enforcement on these estates, although residents have been informed that traffic management orders could be amended to cover them in future.</p>
3.15	Resident Engagement	<p>KCTMO's annual Residents' Conference was held in September 2015. The event which was attended by over 400 residents and 55 children was the most successful TMO residents' conference in terms of numbers and diversity of residents attending.</p>

		<p>The number of young residents signing up to the Youth Engagement Project continues to grow and now stands at 325 young people. The increased engagement is mainly through the successful delivery of a number of sport projects and local community roadshows.</p> <p>There has been two successful Roadshows held concentrating on Employment and Training and Health and Wellbeing.</p> <p>The Communities outreach project has been extremely successful and has engaged with 400 residents and their families that KCTMO has not worked with before. The project was nominated for an award by the Nation Federation of ALMOs.</p>
3.16	Travellers' site	<p>Stable Way travellers site continues to be managed effectively and within agreed budgets. A number of issues have progressed in 2015/16 including:</p> <ul style="list-style-type: none"> • Resolution of an onsite issue impacting weekly refuse collection. Processes have been put in place to mitigate future issues. • Remedial works carried out to fill cracks to the entry road which was a health and safety concern. • Review of the waiting list to ensure it was in line with agreed procedures for allocation. • Effective management of anti-social behaviour, with the Site Manager making good links with the local Policing Team and using prevention tools including mediation and warning letters to stop neighbour disputes from escalating. • Effective income collection, achieving 98.3% rent collection rate at year end. • Production of a residents' handbook which is being developed by the TMO's Communication Team. • Development of a staff handbook to help internal departments' knowledge of the site. This will be completed within 2016/17. • In-touch days between residents and Repairs Direct repair supervisors to improve already good relations.

		<ul style="list-style-type: none"> • Enhancement of the Site Manager's skills through providing benefit advice and tenant support through improved working with internal departments. <p>Further work needs to be undertaken in 2016/17 to understand the future investment need for the site to ensure buildings are well maintained through a programmed scheme of capital works. This will need to be discussed further by RBKC and London Borough of Hammersmith & Fulham.</p>
4.	<p>Conclusion</p> <p>KCTMO has demonstrated its on-going commitment to providing quality housing management services and being the key strategic partner in delivering the Council's objectives for the housing stock and for residents across a spectrum of operational areas. As well as delivery against the agreed performance indicators the pro-active asset management ensures that the Borough's stock, both residential and commercial, is being maximized in terms of use and rental income; compliance with audit and health and safety legislation protects both residents and the Council's standing; and adapting and working with the Borough to implement new legislation and working practices ensures that the Borough continues to provide quality housing services within the resources available.</p>	

TMO PERFORMANCE AGREEMENT 2016-17

1.	Executive Summary <ul style="list-style-type: none"> Many aspects of the Performance Agreement for 2015-16 are to be continued or maintained PI targets have been refreshed, with the expectation that performance is maintained or improved There is a full range of audits planned across Operations, Finance and IT, People and Performance and the Executive Welfare reform and Universal Credit remain high on the agenda Capital spend has increased to cover a programme of cyclical repairs to Trellick Tower, as well as meeting the requirements across the remainder of the stock to ensure investment standards are maintained. Income generation and income collection will be closely monitored Other priorities remain the health and safety of residents and staff, access for residents to advice, training and IT services, and the continued provision of high quality housing management services. 	
2.	Purpose of the Report <p>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.</p> <p>This agreement will be reviewed mid-year and a progress report will be produced for Scrutiny Committee following the end of the second quarter.</p> <p>The following tables show the different workstreams that form the service delivery plan for the Council and the TMO, designed to deliver the Performance Agreement. More detail on the project work that can be provided if required.</p>	
3	Key Areas of Performance	
3.1	Performance Indicators –	<ul style="list-style-type: none"> PIs have been retained this year that are meaningful to the services as well as being a good measure of success. Targets have been considered and refreshed in light of trends or identified challenges.

Ref	Performance indicator (PI) title	Good is?	2015-16 Target	2015-16 Actual	2016-17 Target	Commentary
HS1	% Post Inspections passed (Repairs Direct)	HIGH	>=90.0%	92.25%	>=90%	Target remains, as per the contract framework.
HS30	Satisfaction with repairs (Repairs Direct)	HIGH	>=95.0%	97.14%	>=95.0%	Target remains, as per the contract framework.
HS 2	Local authority tenants satisfaction with landlord services. (Biennial)	HIGH	-	-	-	The next proposed survey is 2016. Results from the Test of Opinion undertaken in Autumn 2013 showed tenant satisfaction at 78.9% and tenant and leaseholder satisfaction at 75.3%
HS 5a	Number of homes brought up to the internal Investment Standard	HIGH	1004	933	>=1400	
HS 5b	Number of homes brought up to the external Investment Standard	HIGH	2157	120	>=1950	
HS 3	Number of homes where SAP rating has increased through planned works	HIGH	1091	120	>=300	
HS 4	Average number of days to re-let local authority housing. (YTD)	LOW	<=23	18.69	<=22	Target reduced by one day for 2016-17.

HS 6	Homeownership: service charge arrears	HIGH	<=£171,845	£141,705	<=£120,449	Replacing collection PIs with arrears figures for both service charges and major works. This is to provide a clearer picture of performance.
HS 7	Homeownership: major works arrears	HIGH	<=£1,216,050	£1,151,217	<=£1,715,516	
HS 8	Rent collection and arrears recovery: seven weeks arrears. (YTD)	LOW	<=4.50%	4.38%	<=4.50%	See HS9
HS 9	Rent collection and arrears recovery: rent collected. (YTD)	HIGH	>=98.13%	99.20%	>=98.02%	The objective for the 2016-17 year is to maintain the year end position for current tenant rent arrears as Universal Credit is rolled out across the borough. This is a challenging target and we will be regularly reviewing the impact of Universal Credit on our collection rate and overall arrears.
HS 11	Proportion of approved housing capital investment programme spent. (YTD)	HIGH	99%	103%	99%	
HS 10	Collection rates and arrears: Travellers Site	HIGH	>=100%	98.27%	>=100%	
3.2	Audits		Service Area		Audit	Timing
	The audits programmed for 2016/17 as follows:		Finance and IT			
			IT Strategy		High Level Review	Q1/2
			Open Contractor		Application Review	Q2
			IT Server Infrastructure		Full Review	Q1/2
			Operations:			

		Capital Programme	Full Review	Q1
		Electrical Safety checks and Contract arrangements	Full Review	Q4
		Framework Procurement	Full Review	Q2/3
		Repairs Direct	Full Review	Q2/3
		Garage and Commercial Lettings	Full Review	Q3
		Fixed Term Tenancy Management	Part of a full review in RBKC Housing.	Q1
		People and Performance:		
		Payroll/Personnel	High Level Review	Q3
		Residents Engagement	Full Review	Q3
		Business Continuity	Full Review	Q2
		Executive:		
		Contracts Register inc Spend Analysis	Full Review	Q2
3.3	Respond to the impact of welfare reform			
3.3.1	Universal credit being paid directly to tenants.	<p>KCTMO continues to work with residents affected by welfare reform changes introduced from April 2013. With the imminent reduction in benefit cap from £26k to £23k in London, the number of tenants affected is estimated to increase from 13 to around 70 households. The Welfare Reform Officers will provide one-to-one support for these households to assess their personal circumstances and assisting in any DHP claims.</p> <p>UC will be a significant challenge for KCTMO this year, with a further roll-out anticipated for families. The Rent Income Team will be provided with further training and closer support by the Welfare Reform Officers to mitigate risk to income.</p>		

		<p>KCTMO will continue to work with RBKC Revenues Team and the Heads of Neighbourhoods will continue to attend the Welfare Reform Benchmarking Sub Group. This group gives KCTMO an opportunity to benchmark against other providers and see what they are doing to manage future challenges.</p> <p>KCTMO is currently updating welfare reform material on its website to offer better advice to residents. There will also be a campaign in the LINK magazine and a leaflet developed to be displayed in reception areas.</p>
3.3.2	Work will need to continue on long-term solutions around households that may need to consider moving to smaller accommodation or cheaper areas because their current housing is no longer affordable.	<p>KCTMO will continue to work with RBKC on long-term solutions for households who need to move to smaller accommodation due to the welfare reforms. These include mutual exchange, transfer to smaller accommodation, employment opportunities through Pathways to Work and advice obtainable at KCTMO Live roadshows.</p>
3.3.3	The TMO will continue to work with the Council on the delivery of support for workless tenants and households	<p>The next series of Employment and Training Roadshows are being planned for 2016/17, and will consist of two roadshows, one in the North and one in the South. Venues are still being finalised, but the events will take place in June and February. These roadshows will be badged as 'Get Wise', following on from 'Your Route to Success'. They will have three key themes; money & finance, employment & training and health & wellbeing, with workshops and external agencies and other local housing providers supporting this work.</p> <p>As part of the KCTMO's delivery of major works, a new Procurement Framework has been agreed. As part of this Framework Agreement, KCTMO has ensured that the suppliers (initially Wates and Keepmoat) will be providing a range of employment and training related projects through the course of the contract. These include:</p> <ul style="list-style-type: none"> • Work placements (mainly 16+, but also work experience) • Curriculum Support • Apprenticeships • Graduate development

		<ul style="list-style-type: none"> • Paid internships • Health and Safety, Leadership and Supervisor training <p>KCTMO will continue its integral involvement in the RBKC Housing and Worklessness project and its obligations under the Pathways to Work Charter.</p> <p>KCTMO is also a member of the RBKC Worklessness Network, which allows effective exchange of relevant course, training and funding opportunities between partners.</p>
3.4	Investing in the Borough's Stock	
3.4.1	The TMO will continue to work with the Council on the HRA business planning and asset management	<p>The HRA Business Plan sets out the priorities for the coming year.</p> <ul style="list-style-type: none"> • The priority is to maintain the existing stock to the required standard • To use investment planning based around creating sensible geographic concentrations of work for internal refurbishments, so programmes can be efficiently managed and delivered from local site set ups. • External works have been planned around the seven year cyclical decorations programme, with the intention that where scaffolding is erected for external decorations other key components that require work are also replaced. • Programmed works will include: <ul style="list-style-type: none"> ○ Continuation of kitchens and bathroom replacement, rewires and heating improvements. ○ Continue the replacements of roofs and other external elements ○ Commencement of a major programme of lift replacement ○ A programme of window replacements, focusing on those areas where existing single glazed windows have reached the end of their useful life. <p>Future levels of capital investment will be determined once the impact of the Housing and Planning Act (high value voids) becomes clearer.</p>

3.4.2	The TMO will continue to work with the Council on asset management projects.	<p>KCTMO will work to implement the Asset Management Strategy and will support the Council as it develops its regeneration strategy.</p> <p>Capital Investment The programme is £16m, this includes Trellick Tower.</p> <p>Trellick Tower Following the production of the Conservation Management Plan a programme of external repair works is being procured. This work is programmed to start in 2016/17 and complete in 2017/18.</p> <p>Hidden Homes The next phase of Hidden Homes is in development with new homes planned for delivery in 2016/17 at Holmfield House and Tavistock Crescent.</p> <p>The Housing Regeneration Programme KCTMO has taken over the operation of the programme from the Council and it will be monitored on a regular basis. The programme for this year is £250,000.</p>
3.4.3	Capital Programme monitoring	The Council and KCTMO will be working closely together to monitor the progress of the programme throughout the year, as well as the use of the procurement framework, further disposals or conversions and the impact of legislative changes likely to impact on the programme or delivery. Reports prepared for the TMO's Operations Committee will be shared with the Council and council officers will join the TMO when meeting contractors of the asset management projects.
3.4.4	Working with the Council to improve the quality and supply of TA	The Council will continue to maximise the opportunities for providing TA units that KCTMO will manage. The TMO and Council will work to improve the quality and supply through investment.
3.4.5	Intermediate and market rent	Further opportunities for providing intermediate and market rent products will be investigated as part of the active asset management.

3.5	Digitalisation	
3.5.1	Tackling the digital divide by considering how to address barriers that are preventing tenants benefiting from these technologies.	<p>KCTMO will assess rolling out further Wi-Fi hotspots in KC Places sites following a review of the pilot scheme at the Kensal Resource Centre.</p> <p>KCTMO has a new Community Investment Strategy which includes a commitment to continue to develop its digital inclusion work.</p> <p>KCTMO is providing financial support for the RBKC led IT Hub at the Chelsea Theatre.</p> <p>KCTMO will continue to investigate the most effective methods training staff and residents to become digital champions and roll out across our stock as part of our Digital Inclusion Strategy.</p>
3.6	Health and Safety	
	Health and safety issues in the social housing sector that have arisen during this year include: window safety, fire safety and cleanliness at supported housing schemes.	<p>The Health & Safety Action Plan will be reviewed and extended to incorporate any new areas where monitoring of compliance with legislation and good practice is required. Specifically –</p> <ul style="list-style-type: none"> • Annual H&S report to be produced • Compliance with LFB Enforcement notices issued in respect of Adair Tower and Hazlewood Tower and completion of the identified works • The programme of Fire Risk Assessments & reviews to continue and more work to ensure actions and recommendations from these are consistently completed in a timely manner • Regular LFB liaison meetings. Extend fire safety approach adopted at Grenfell Tower to all major works projects - proactive involvement of LFB etc. • Work with LFB to ensure remaining high rise blocks are prioritised for familiarisation visits and where possible Home Fire Safety Visits are offered • Ongoing publicity etc. to ensure leaseholders continue to ensure any door replacement is with compliant door • Investigate introduction of on-line DSE training & self-assessment

		<ul style="list-style-type: none"> • Aim to complete installation programme of hard-wired automatic smoke alarms in tenanted dwellings • Working at Height - complete central database with comprehensive details of roof access arrangements and the corresponding risk and make available to all technical and neighbourhood staff. • Asbestos – finalise & publish information leaflet for residents for reception areas etc.
	Emergency Planning	The Emergency Planning arrangements will be revisited to ensure that the roles and responsibilities are fully understood by the Emergency Planning teams, Housing Needs and KCTMO in the event of another major incident. The Council's arrangements will be aligned with KCTMO's current plans.
3.7	HRA commercial portfolio	<p>Priorities over next 12 months are to:</p> <ul style="list-style-type: none"> • Completion of the projects to commercially redevelop parking sites and generate new income • Continue to work on generating new income streams, particularly via new telecoms lettings • Strategically review other 'non-core' current commercial lettings and identify opportunities for investment and change of use • Address longstanding issues with properties occupied by RBKC departments without formal leases, by completing Memorandum's of Occupation and moving all occupiers to market rental. • Maintain exceptionally low void levels • Consistently maintain debt levels below 5% throughout the year • Identify parts of the portfolio that could be used to achieve wider housing objectives (e.g. converted into residential accommodation.)

3.8	Travellers site	<p>The focus for the next 12 months:</p> <ul style="list-style-type: none"> • Maintain/improve on rent collection figures, including addressing the impact of the benefit cap for resident on site (if any) • Work with RBKC and H&F to review the future investment needs of the site • Ensure high levels of satisfaction with the management of the site through conducting an annual residents survey
4.	<p>Conclusion</p> <p>There will be existing and new challenges this year for the Council/KCTMO partnership. In a time of financial uncertainty, the Council intends to protect the investment in the stock and KCTMO is charged with delivery of £16m capital programme in order to do this. Asset management will be a key part of KCTMO's work this year, with programmed investment for Trellick Tower and involvement in the ongoing regeneration proposals for the Council's aging house estates. Universal credit and reduction in the benefit cap will see KCTMO required to give support to families, as well as its ongoing role to get people back in to work. Performance indicators and audit reflect the continuation of the core housing management workstreams.</p>	

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“the Company”)**

Open	
For Information	
Board Report 20 July 2016	
Report title:	HRA Commercial Portfolio – 2015/16 Year End Report
Authority for decision:	The Board is responsible for managing the HRA commercial portfolio according to the Modular Management Agreement with RBKC.
Recommendations:	It is recommended that the Board note the contents of the report
Regulatory/legal requirements:	The Board has a duty to ensure the Company complies with its contractual obligations under the Modular Management Agreement.
Business Plan link:	Delivering value-for-money and growing the scale and scope of the business.
Equality Assessment/comment:	Impact N/A
Resident consultation:	Residents will be consulted on any proposal to substantively change the use of any property in the portfolio.
Resource implications/VFM statement:	KCTMO is responsible for maximising value from portfolio income and delegated budgets, including ensuring RBKC Corporate Property provide value-for-money for the £180k pa fee they receive from the HRA.
Risk:	As commented on in the report, historically-weak management controls have been addressed via improved working relationships between KCTMO and Corporate Property.
Appendices:	1
Total number of pages including appendices:	10
Name, position and contact details of authors:	Nick Rendle, Business Development Manager, Ext: [REDACTED] / nrendle@kctmo.org.uk David Vickerstaff, Investment Portfolio Lead, RBKC Corporate Property [REDACTED] / David.Vickerstaff@rbkc.gov.uk

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1. EXECUTIVE SUMMARY

The HRA commercial portfolio currently comprises 182 properties. Operational management is provided via a Service Level Agreement between KCTMO and RBKC Corporate Property, which details responsibilities and performance expectations.

The rental income for the portfolio in 2015/16 totalled £3.1m, an increase of 4.8% from the £3.0m achieved in 2014/15, reflective of good management by Corporate Property and the wider upturn in property values.

Lease renewals and rent reviews for existing properties were successfully completed by Corporate Property in the course of the year, most notably for the Fulham Road shop units where negotiation increased rents for 2016/17 onwards by over £200k pa.

The KCTMO-led project to expand the portfolio by leasing underutilised HRA car parks for commercial redevelopment made good progress, with Cabinet agreeing terms of new leases that will generate over £1m of new income in future years.

However, arrears increased considerably, with aged debts (over 60 days old) totalling £119k at year end, as compared to £69k at end of 2014/15. This resulted from administrative problems with the implementation of Agresso, the new tri-borough finance system.

2. INCOME AND RENT COLLECTION

Total rental income for the year was £3.1m, an increase of an increase of 4.8% from the £3.0m achieved in 2014/15.

This included £2.6m commercial income from leasing retail units, storage sites, telecommunications stations and artist studios, plus £489k internal RBKC 'transfer rents' into the HRA for premises occupied by RBKC departments or subsidised voluntary-sector groups.

A review of rent levels and terms of letting for RBKC subsidised occupiers was initiated in 2015/16, and should ensure the HRA receives a full market rental for all these properties in future. This is due to be completed in summer 2016.

Significant problems were experienced with commercial rent management in the course of 2015/16. In the first three quarters, all rental invoices for commercial property were manually raised due to issues with the new accounting systems introduced across RBKC. This took up considerable staffing capacity, but all rental invoices were raised electronically from January 2016 onwards.

The new RBKC accounting systems also created problems in the course of the year with allocation of rental payments, which were often initially transferred to business rates and other areas, rather than the HRA commercial portfolio. However, these implementation problems were also resolved by year-end.

3. HRA ARREARS (AGED DEBT)

Corporate Property have a KPI to ensure total 'aged debt' (invoices outstanding for 60 days or more) does not exceed 5% of the total rent roll. The aged debt at 2015/16 year end was £119k, equating to 3.95% of the rental income.

Whilst the KPI target was therefore still achieved, the outcome represents a considerable regression from progress made in this area in previous years. Aged debt totalled £171k at end of 2012/13, £110k at end of 2013/14, and £69k at end of 2014/15.

As outlined in above sections, this regression was primarily due to implementation problems with Agresso, the new RBKC accounting system.

Most rental payments become due quarterly, leading to a 'spike' in arrears once every three months. Corporate Property send out arrears letters on the payment date and then seek to chase and escalate debt actions over the subsequent weeks (although bailiff action is not taken without Councillor approval). However, for much of 2015/16, Corporate Property offices were unable to directly access information on payments received, or track electronic records of invoices.

Given these administrative issues were resolved in the final quarter on 2015/16, it is to be hoped that the arrears position will improve considerably over 2016/17. With the Corporate Property team expanding in June 2016 arrears will be one of the top priorities of the new year.

4. HRA VOIDS AND LETTINGS

A number of unforeseen commercial voids arose in the course of the year, due to business failure or unexpected notice served by the tenants. However, Corporate Property achieved their KPI of marketing all properties as soon as practical, with a deadline of one month from vacancy. In practice, all properties were placed for marketing via agreed and tendered letting agents within a week of becoming vacant (or in some cases prior to termination)

As of 31st March 2016 there were only six void properties that were habitable Their estimated rental value totals £91,000, equating to 3.03% of the total rent roll:

- 2 Stanford Bridge Studio
- 3 Fleming Close Studio
- 1 Stanley Bridge Studio
- 59 Chelsea Manor Street
- 254 Portobello Road
- 7 Fleming Close Studio

Of the above, only two are retail voids and were under offer at year-end. The four remaining voids are artist studios, which RBKC have instructed be retained for this purpose, despite these units being harder-to-let historically. Note that offers for all four units were nevertheless received in Q1 of 2016/17.

There is a retail unit in Octavia House that remains vacant due to major water damage – this unit will be repaired and become a source of rental income as well as a community benefit rather than a boarded up site. It is hoped to market this unit in the summer of 2016. Also when the new private developments on the street are completed during 2016 the retail attraction and therefore rental should increase.

5. LEASE RENEWALS & RENT REVIEWS

Corporate Property began negotiations with all expiring tenancies in the past 12 months meeting their KPI targets. There were 36 lease expiries last year. It is hoped that the new rentals achieved will increase the rent roll and the incentives granted will decrease as the property market/economy continues to improve.

Rent reviews allow the landlord to keep up with property price inflation, which has been subdued during the recession, but is now accelerating and it is therefore hoped that the fund will improve the rent roll throughout 2016. All rent reviews due last year have commenced, unless instructed otherwise. A particular success was on the Fulham Road units leased to Stella McCartney, where negotiation at rent review increased rents for 2016/17 onwards by over £200k pa.

In the 2016-2017 year there are 15 Rent Reviews due. There are also 13 leases due to expire, with all due to proceed for renegotiation apart from two on Ladbroke Grove which will be affected by the Barlby/Treverton redevelopment proposals.

6. CAR PARKS & TELECOMMUNICATIONS

The KCTMO-led project to lease underutilised estate parking sites for commercial redevelopment made good progress in 2015/16. This should generate substantive new income, rising from c.£100k in 2016/17 to over £1m pa from 2019/20 onwards, following initial rent-free/discounted periods to enable lessees to recoup their capital investment into the properties.

Acklam Road (Swinbrook Estate)

A new lessee was identified for this site following withdrawal of the previous proposed lessee prior to completion. July 2015 Cabinet approved terms that will result in the lessee investing around £1m to convert the site to a business hub and generate up to £200k pa in new income. Lease completion is estimated for 2016/17 Q2, subject to our approval of construction proposals.

Lowerwood Court (Convent Estate)

This site was brought forward for commercial leasing in 2015/16. February 2016 Cabinet approved granting a lease to a company who plan to invest over £6m and transform the building by using an internationally-renowned architect to redesign the car park into a high-end office with auxiliary café and exhibition spaces. The lease will generate over £500k pa in new income. Lease completion is estimated for 2016/17 Q4, subject to final legal agreement and our approval of construction proposals.

Holmefield House

Leasing of this site for conversion to self-storage was originally agreed by Cabinet in October 2014. We subsequently renegotiated lease terms and increased the agreed rent from £120k pa to around £150k pa on a 20 year term. Cabinet approved the improved terms in November 2015, but further site investigative work has been required. Lease completion is now estimated for 2016/17 Q3.

Walnut Tree House (Tregunter Estate)

Lease of this site to Fortbox completed in 2014/15. However, there have been considerable problems with water ingress, which prevented the lessee from fully trading the site. We have been working to resolve these and ensure the site becomes operational and the lessee starts paying rent of around £150k pa from summer 2016.

Telecommunications

Currently the portfolio derives c.5% of its income from Telephone and data masts, but with many tall buildings in the HRA and surging demand for mobile data (4G band communication needs more antenna than 3G to service the same demand) revenue from this sector should more than double to c.£100k pa if managed correctly.

The TMO and Corporate Property worked jointly in 2015/16 to identify new sites and agreed a development strategy for new units with agents acting on behalf of telecoms providers. This resulted in agreements to lease four new sites and expand capacity on an existing building.

7. SLA AND MMA

The Service Level Agreement between KCTMO and Corporate Property provides a framework for the regulation and measurement of the service provided by Corporate Property. It shows how the fund is being managed and what progress is being made.

Key Performance Indicators are reported quarterly and are as follows:

KPI 1: Property Services to provide the following headline indicators for the quarter end date:

1. Number of properties in portfolio and total value of rent roll
2. Number of void properties and value as percentage of portfolio
3. Total aged debt and value as percentage of portfolio
4. Number of outstanding lease renewals and rent reviews

KPI 2: Property Services is to commence marketing of vacant properties as early as possible, with a deadline target of one month of the property becoming vacant, excepting circumstances where repair works are first required to put the property into a condition suitable for marketing and occupation. Required indicators:

1. Number properties falling vacant in quarter
2. Percentage marketed prior to void date
3. Percentage marketed within one month of void date
4. Exception report on all properties not marketed within one month of void date

KPI 3: Property Services is to ensure that all rent review notices are served by the rent review date, except in circumstances where the lease specifies that an alternative timescale must be adhered to. Required indicators:

1. Number rent reviews falling due in quarter
2. Percentage with notice served by rent review date
3. Exception report on all properties where notice not served by rent review date

KPI 4: Property Services is to consult the TMO's nominated client officer prior to offering any new lease on vacant property or to existing tenants. Required indicators:

1. TMO consulted in advance of any offer of new lease to existing tenants, with a minimum of 10 working days notice? [YES/NO]
2. TMO consulted in advance of offering any new lease on vacant property, with a minimum of one week notice? [YES/NO]

3. Exception report on all leases offered in quarter where TMO not consulted in accordance with stated timescales

KPI 5: For lease renewals, Property Services shall serve S25 notices within the statutory timescales of no less than 6 and no more than 12 months prior to the lease end date. Required indicators:

1. Number leases due to terminate within 12 months of quarter end date
2. Percentage with notices served within statutory timescales
3. Exception report on all properties where lease due to terminate within 6 months but notice not yet served

KPI 6: Property Services shall ensure total aged debt (invoices outstanding for 60 days or more) not exceed 5% of total rent roll. Required indicators:

1. Number invoices outstanding for 60 days or more
2. Total value of invoices outstanding for 60 days or more and value as percentage of total rent roll
3. Report on recovery actions taken for all invoices outstanding for 60 days or more
4. Total value of all debt (including arrears less than 60 days) and value as percentage of total rent roll

KPI 7: Property Services shall undertake valuations, site appraisals and all other reasonably required tasks to bring forward additional sites in order to generate new income for the Housing Revenue Account. All such reports to be provided to the TMO's nominated client officer to a timescale agreed at date of instruction. Required indicators:

1. All reports provided to specified quality, to a timescale agreed at the date of instruction.

Overall, Corporate Property achieved their KPI targets for 2015/16, despite the administrative challenges posed by Agresso implementation.

8. GENERAL MANAGEMENT

Since the appointment of the Head of Service at Corporate Property in April 2013 and the creation of the SLA in January 2014, the service provision to KCTMO has been improving from a point where monthly meetings were needed to seek updates to the situation now, where Corporate Property routinely meet or exceed their targets.

In April 2016 the Head of Service at Corporate Property (Richard Egan) became the Interim Director of Property and the Head of Service is a new appointment (Mr Mark Grant). However, the core management team has now been settled for two years (David Vickerstaff and Yemisi Felix-Adewale) and so the portfolio is well understood.

KCTMO, Housing and Corporate Property are now working actively on many redevelopments to improve and increase the housing stock, which was not the case until two years ago. Pro-active management is producing some good options that are regularly discussed and beginning to show results. This includes the introduction of the Asset Management side of Corporate Property in assisting the management over the past six months.

Corporate Property were audited in early 2016 and have passed using the new systems (Agresso for finance, SharePoint for data storage and Concerto as a property database).

Building Insurance and Asset Valuations were tendered in early 2016 and the contracts have just been granted and so Corporate Property will have accurate figures for the properties going forwards. Corporate Property invoice and collect all building insurance premiums and so the TMO have no exposure to any arrears.

9. REVIEW OF CORPORATE PROPERTY'S 2015/16 OBJECTIVES

1. Objective 1: Continue to work on debt reductions to be within the 5% KPI target, even when 30-60day old debts are included.

Under the terms of the SLA, Corporate Property have a target that total aged debts above 60 days will be kept to a maximum of 5% of the total rent-roll.

Following a 35% reduction in arrears in 2013/14 and a further reduction of 37.5% in 2014/15 it was hoped to further improve the position in 2015/16, by amending the KPI such that total aged debts *above 30 days* were within 5% of the total rent-roll.

However, this did not prove possible, as the 2015/16 year has been very difficult due to a change of accounting systems and the information and monies being held/processed by a third party. It is only recently that Corporate Property have been able to see current arrears.

Nevertheless, the existing headline target for arrears on debt above 60 days was achieved, with arrears totalling 3.95% of the rent roll at year end.

Objective 2. Continue to build relationships with Housing and KCTMO and work together on projects. Agreeing strategic approaches and performance measurement targets

Relations have reached a very good level, whereby all parties can openly discuss ideas and issues to the benefit of the portfolio.

Strategic approaches have been created as seen by the expected rental income gains from phone masts and car park sites. It is also seen by the development strategy that is being formulated and the work of assisted organisations using TMO properties at reduced rental levels (RBKC pays a rent to the TMO fund each year to cover use of TMO buildings occupied by departments or organisations associated with RBKC which is around £500,000pa

This objective has been met.

Objective 3. Undertake all reviews and renewals as soon as due to gain the best income for the portfolio.

Throughout the year the KPI on this has been met with all reviews being commenced on time and lease expiries being worked on in due time.

This objective has been met.

Objective 4. Exceptionally low void levels to be maintained.

Work is underway to bring currently unused space into income producing space and reduce the void levels for properties not currently being marketed.

The strong London rental market has helped to keep the void levels at such a low level, often with voids only because of delays in getting new lettings approved and completed.

Voids are often the artist studios as long lettings are not granted here due to potential changes to the provision of artist studios.

This objective has been met.

Objective 5: Memorandum of Occupation to be completed and all RBKC departmental occupiers to be under agreement at a market rental.

Not completed in 2015/16 as held up with Council members. However, the principle is now agreed at officer level across all RBKC departments that they should be paying market rental for their use of HRA property. Corporate Property have commenced revaluation of all properties on this basis, with a report due summer 2016.

This objective has not been met, but work is in progress and the HRA should move towards receiving the true market value of lettings in 2016/17..

Objective 6: Health and Safety audit as well as the integration of IT and Management Systems.

Good progress has been made on all of these issues. This will always be ongoing with all sites being visited for a Health and Safety inspections (not Property Management issues) annually and all documentation from occupants being kept in the office. Corporate Property have a system in place and are collecting data as we go.

Corporate Property have changed systems and both RBKC and the TMO have access to Agresso, which is our finance system.

This objective is ongoing.

Objective 7: Seek to generate new income streams and maximise current income with a review of 'non-core' commercial lettings.

Car Park and Phone Mast lettings are beginning to become a large percentage of rental income for the portfolio.

Refurbishment and improvements to units are being investigated to improve future income generation.

This objective is ongoing.

10. 2016/17 OBJECTIVES

The TMO will manage the car park commercial development projects towards completion, and aim to initiate further strategic projects to generate new income by redeveloping and expanding the portfolio.

Corporate Property have the following operational objectives for the existing portfolio:

- Improve the arrears position
- Continue to keep rent reviews and lease renewals on schedule.
- Low void levels to be maintained.
- Improve the quality of the existing stock through targeted investment
- Continue with health and safety inspections.
- Make sure all tenants are paying a market rental or the HRA is compensated to this level from other RBKC funds.
- Make sure databases are kept up to date and improved with, for example, CAD plans of all sites produced.
- Review all Building Insurance valuations to make sure all sides are paying the right amount and that the assets are covered.

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“the Company”)**

Open	
For information	
Board	
Report title:	Board Performance Report – Year end 2015/16
Authority for decision:	The Board has ultimate responsibility for the performance of the organisation.
Recommendations:	That the Board note the contents of the report.
Regulatory/legal requirements:	The Board has a duty to promote the success of the Company by monitoring its performance against the agreed KPIs.
Business Plan link:	Delivering organisational competence.
Equality Impact Assessment/comment:	There are no equality implications.
Resident consultation:	The Performance Indicators and Business Plan 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:	We are committed to achieving top quartile performance with value for money.
Risk:	A decline in organisational performance could result in reputational risk and action from RBKC.
Appendices:	1
Total number of pages including appendices:	21
Name, position and contact details of author:	Yvonne Birch Executive Director of People & Performance [REDACTED]

Purpose

This report presents the performance against a range of indicators for the period April to March 2016.

1 Introduction

- 1.1 The attached report gives an overview of the performance of the TMO in key business areas during the period April to March 2016.

2 Strategic performance indicators

- 2.1 The traffic light indicators use the usual colours to indicate the status of the year to date performance against target.
- 2.2 All the performance data is validated by an accountable manager and enables staff to monitor trends and make improvements, where necessary.
- 2.3 Where benchmarking information is shown, unless otherwise indicated this will be for our HouseMark peer group, the London ALMOs and local authorities club.

3 Repairs Direct

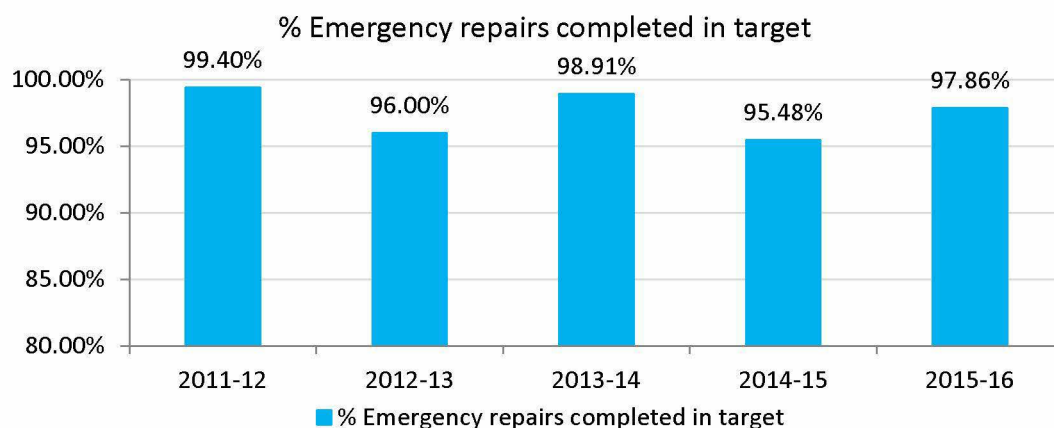
- 3.1 Performance in March has improved across all categories, with targets exceeded for all dashboard indicators for the month. The year finished with 4 of the key targets achieving target, with the remaining two below target but within tolerated limits and all showing improvements when compared to outturns for 2014-15.
- 3.2 The focus moving into 2016-17 will target continued improvement across all measures.

Update: May 2016

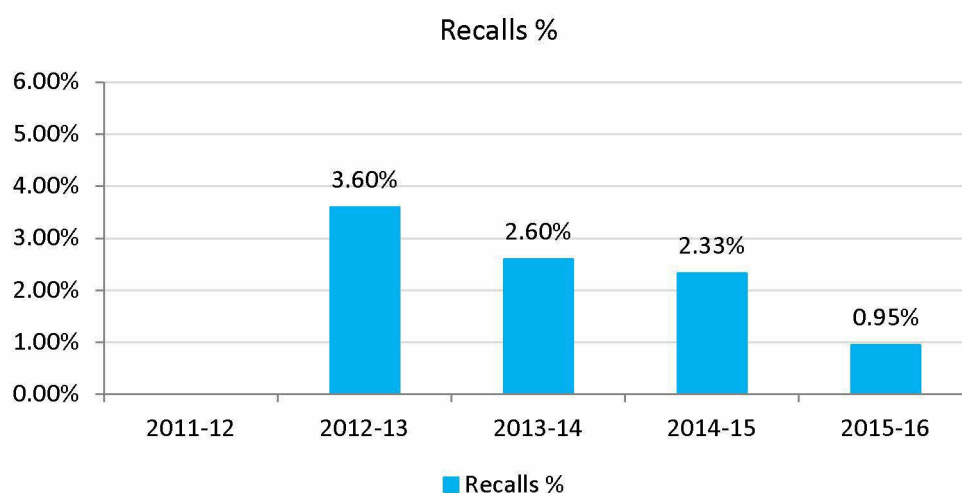
- 3.3 Performance has continued to improve for Repairs Direct PIs, with emergency job completions in target currently at 99.66%.

Trends and benchmarking

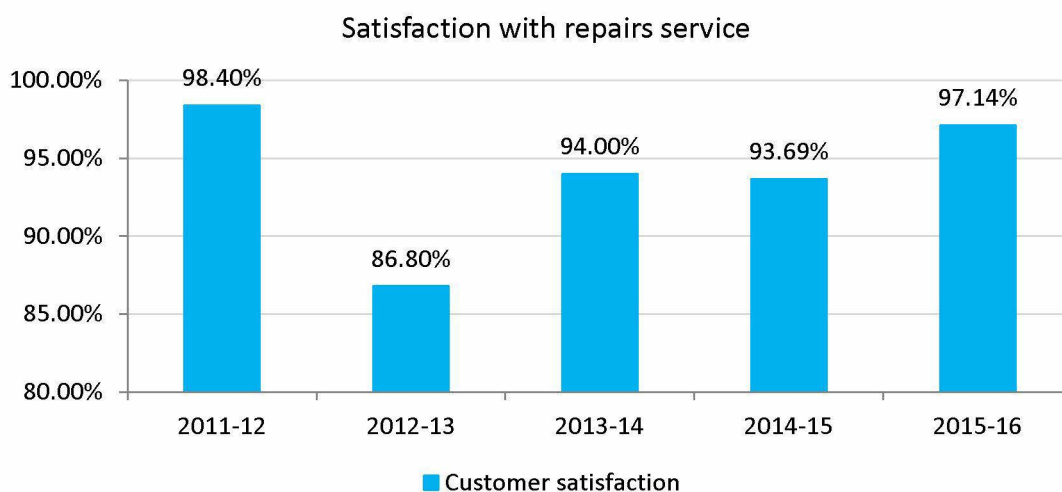
- 3.4 Over the past 5 years the percentage of emergency repairs completed has achieved an average outturn of 97.53%, with 2015-16 finishing above this point at 97.86%.



3.5 Recalls as a percentage of jobs has shown a huge improvement since becoming one of the key PIs in 2012-13 – from 3.60% to 0.95%.



3.6 Improvements in the delivery of the service are reflected in resident satisfaction with Repairs Direct, after a dip to 86.80% in 2012-13.



3.7 At present our current headline PIs are not benchmarked by HouseMark but with the introduction of our new PI for 2016-17, 'Average days to complete a repair' we will be able to regularly benchmarking performance against our peer group.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
% emergency repairs completed in target	-	-	-	98.91	95.48	97.86	>=99%
% non emergency repairs completed in target	-	-	-	97.19	93.09	95.65	>=98%
% Void repairs completed in target	-	-	-	99.10	95.21	97.76	>=90%
Customer satisfaction	-	-	-	94.0	93.69	97.14	>=95%
% Recalls	-	-	-	2.60	2.33	0.95	<=5%
Post inspection pass rate	-	-	-	-	63.49	92.25	>=90%

4 Voids & lettings

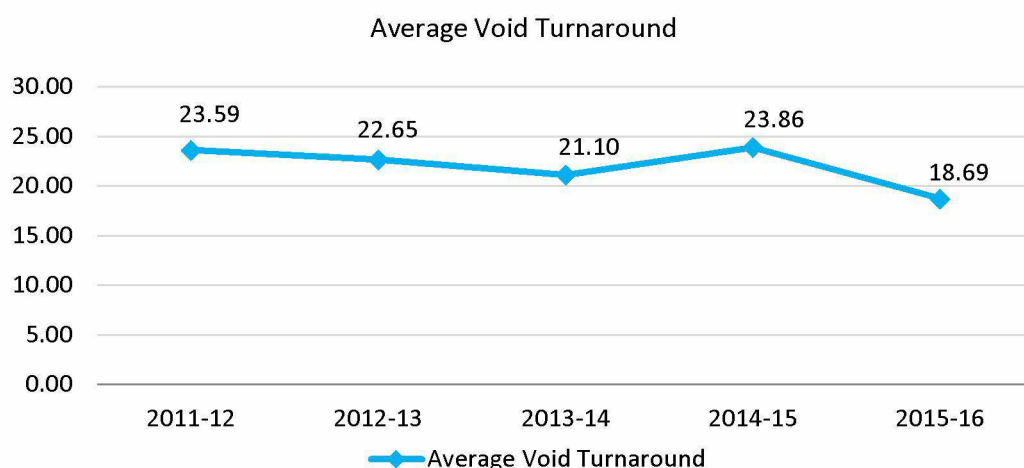
- 4.1 During 2015-16 we re-let just over 200 general needs homes and 10 sheltered accommodation homes, plus undertook additional lettings for temporary accommodation units, temporary decants and Burgess Fields.
- 4.2 Our average re-let period for the turnaround of a standard minor works void was 18.69 days, against a target of <=23.0 days.
- 4.3 This low turnaround period, together with a significant decrease in the number of properties requiring major works during the vacant period, meant that our void loss decreased from 1.28% in 2014-15 to 0.73% - in monetary terms this equates to a saving of over £250k.

Update: May 2016

- 4.4 There has been an increase in the average re-let since year end; however, performance remains within target for this PI. There has been an increase in the percentage of voids requiring major works but this is being monitored closely to minimise its impact on performance.

Trends and benchmarking

- 4.5 The chart below shows the average void turnaround over the past five years. It should be noted that the PI definition was amended this year to fit in with the current HouseMark PI definition.



- 4.6 As shown on the table below, when compared to the quartile positions for our HouseMark peer group, our outturn for 2015-16 puts the TMO in the top quartile for both the average re-let time and void loss.

PI Name	Quartile Positions 1415			1314	1415	1516 to date	1516 target
	Top	Mid	Lower				
Average time to re-let (standard relets)	23.0	30.91	38.00	New PI	New PI	18.69	<=23.0
Void Loss	0.96	1.24	1.62	0.81	1.28	0.73	<=0.75%

5 Compliance

Gas Servicing

- 5.1 Compliancy remained at 100% for March. Warrants continue to be sought where access unreasonably withheld and the No Access Policy continues to operate well.

Update: May 2016

- 5.2 The compliancy rate of 100% has been maintained going into the 2016-17 year.

Trends and benchmarking

- 5.3 The table below shows the TMO's performance for gas compliance PIs going back three years. For 2015-16 the TMO is a top quartile performer in this area.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
Gas compliancy %	100.0	99.99	99.94	99.92	99.45	100.0	100%

6 Rent collection

- 6.1 At the end of March 2016 current tenant rent arrears stood at £1,035,802, against a target of <=£984,493.
- 6.2 Due to ongoing issues with Agresso problems with missing rent payments continue and at the 1st April 2016 the list of reported missing payments totalled over £63,000.
- 6.3 If this £63,000 had been received directly into rent accounts, then the team would have achieved the annual target of arrears below £984k.
- 6.4 At 101.07%, our rent collection rate exceeded the set target for the year. This is following a drive in rent and arrears collection during quarter four and to a lesser extent, the payment of refunds to tenants on one of our estates during quarter 4, in relation to service charges for heating and hot water. For some households these refunds will have assisted in reducing arrears on their accounts, for others the payment will have put their accounts in credit.

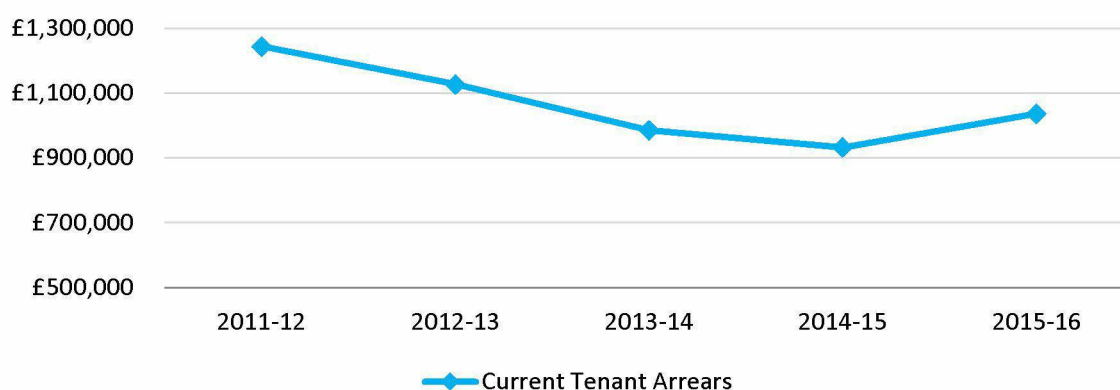
Update: May 2016

- 6.5 Arrears ended May at £988,083, a drop in arrears since year end, and within the target of <=£1.035m.

Trends and benchmarking

- 6.6 The chart below shows how current tenant arrears have reduced from over £1.2 million in 2011-12 to £1.035 million in March 2016, during a period covering the introduction of welfare reform and year on year rent increases.

Current Tenant Arrears



- 6.7 The table below shows three year results for a number of our key arrears dashboard PIs with benchmarking information where available. Compared with 2014-15 outturns the TMO is a top quartile performer for both rent collection and arrears as a percentage of rent roll.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
Rent collection (excl arrears b/f)	99.54	99.20	98.90	100.84	99.65	101.07	99.96%
Arrears as % rent roll	2.12	3.03	3.53	2.05	1.90	2.02	1.90%
% tenants with 7 wks arrears	-	-	-	4.32	3.96	4.38	4.50%
FTA – cash collection	-	-	-	87232	91119	81487	85000
FTA - Write offs £	-	-	-	133291	80093	696	-
FTA - HB collection £	-	-	-	12796	10599	14,521	-

7 Homeownership

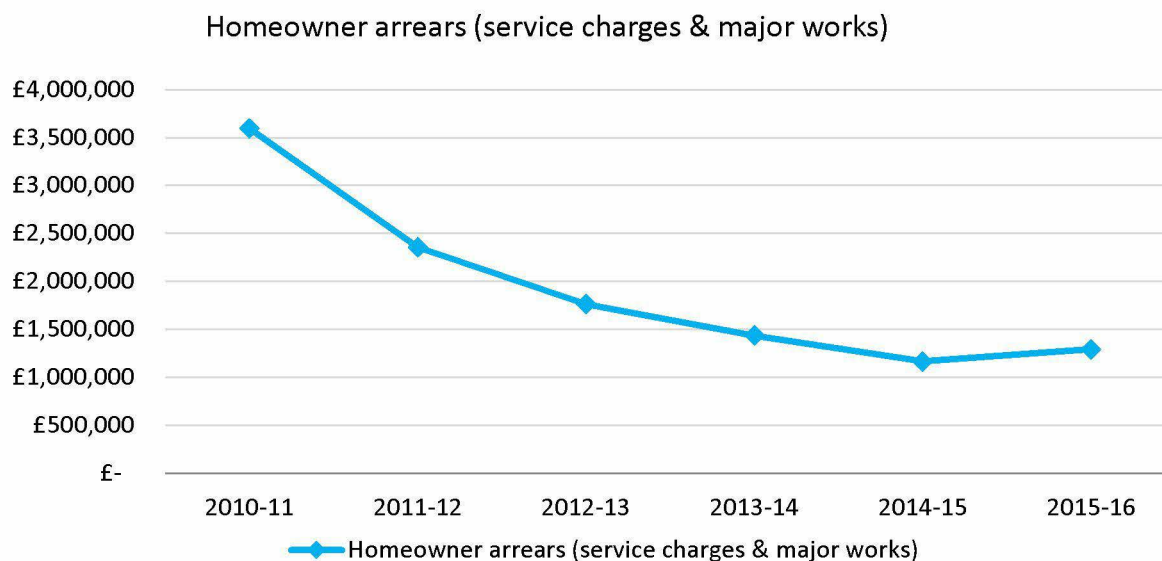
- 7.1 Targets for the collection of leasehold service charges and major works invoices were met for 2015-16.

Update: May 2016

- 7.2 The target for service charge arrears was met and exceeded for May.

Trends and benchmarking

- 7.3 The chart below shows the progress in the reduction of service charge and major works arrears over the past several years; a reduction of £2.3 million since the end of 2010-11.



7.4 The table below gives an overview of the key homeownership PIs going back three years together with benchmarking information where available.

7.5 The TMO is consistently a top quartile performer in this area.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lowe r				
Current dashboard PIs							
Collectio n rate – service charges	-	-	-	105.42	104.68	113.38	>=100.17 2
Collectio n rate – major works	-	-	-	185.37	129.88	105.64	>=69.689
SC Arrears £	-	-	-	212,352	179,004	141,705	<=171,845
MW Arrears £	-	-	-	1,225,425	984,439	1,151,217	<=1,216,05 0
Annual HouseMark PIs (not included above)							
Arrears as a % of service charges due	6.96	13.90	14.93	5.36	4.06	3.50	-

8 Anti-social behaviour

- 8.1 During 2015-16 301 new ASB cases were logged by the TMO, compared to 233 in 2014-15.
- 8.2 A total of 77 residents completed satisfaction surveys during the year – for 30.2% of closed cases, exceeding our target of completing surveys for at least 29.8% of cases. We set this target following several years of low returns, an issue which is experienced by most housing providers for this service area.
- 8.3 The increase in satisfaction returns is very positive as it gives the TMO a broader view of how residents feel about the service provided.

Update: May 2016

- 8.4 Performance has improved for ASB case handling and outcome satisfaction for the year so far. A total of 97.78% of cases have been resolved at closure, against a target of $\geq 97.0\%$.

Trends and benchmarking

- 8.5 The table below shows performance for our key PIs going back three years, together with benchmarking information where available.
- 8.6 Our year end performance for 2015-17 indicates that we are second quartile performers for the percentage of cases resolved on closure, second quartile for the number of new cases per 1,000 managed homes, and lower quartile for satisfaction with outcome and handling.
- 8.7 Later this year we are taking part in the annual core benchmarking exercise. This will enable us to cross reference performance information below with information on staffing levels and costs in order to give a VFM view on performance.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
Current dashboard PIs							
New cases	-	-	-	225	233	301	-
Closed cases	-	-	-	275	185	255	
Live cases	-	-	-	60	88	125	-
Satisfaction with outcome	81.00	64.00	55.37	78.9	85.3	64.94	81%
Satisfaction with handling	82.89	66.67	62.45	83.7	85.3	64.94	81%
% Closed cases with	-	-	-	-	-	30.20	29.8%

survey completed							
Surveys attempted	-	-	-	-	-	179	
Surveys completed	-	-	-	43	34	77	-
Annual HouseMark PIs (not included above)							
Resolution rate	97.07	91.44	81.47	94.91	92.43	94.06	-
New cases per 1,000 properties managed	27.53	42.03	74.05	25.79	24.45	31.67	-

9 Resident engagement

- 9.1 All annual targets for the Resident Engagement team were met for 2015-16. A number of key outcomes from quarter 4 are detailed below.

Quarter 4 activities

- 9.2 The second Get on Board 'Get Wise' roadshow was held on the 18th February at the Chelsea Theatre. A total of 135 residents and children attended.
- 9.3 These roadshows continue to focus on employment & training, welfare benefits and money management, and health & wellbeing. The introduction of the new zoning layout has proved very successful with three zones in operation; employment & training, health & wellbeing, and money.
- 9.4 The TMO continues to be supported at these events by more than 25 local service providers and agencies.

Residents associations & compacts

- 9.5 During the final quarter the Resident Engagement team supported the launch of two new compacts at Mulberry Close and 65 Finborough Road. This brings the total number of new RAs and compacts set up during the year to 10.

Communities Outreach project

- 9.6 During quarter 4 the project engaged with 68 residents. The project was set up with the aim of increasing engagement with BAME residents and has proved very successful since it was piloted in 2014.
- 9.7 The success of the project has been recognised by the housing industry which in turn led to the TMO being nominated as finalists for

a Chartered Institute of Housing (CIH) Award, 'Making a difference in Communities'.

- 9.8 Representatives from the TMO attended the awards ceremony on the 19th April where we finished as runners up to the winner, St Leger Homes.

Update: May 2016

- 9.9 Performance remains steady with 33 new members joining the Children's TMO in the first two months of the year, and 11 joining the Youth group. One new RA has been established.

Trends and benchmarking

- 9.10 The table below shows performance for the past three years for a number of our key resident engagement PIs. There is limited benchmarking information in the area of RE, with the focus instead on resident satisfaction outcomes with participation opportunities (Status/Star surveys).

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
New members – Children's TMO	-	-	-	-	36	139	30
New members – Youth TMO	-	-	-	-	111	60	40
No. new RAs or Compacts	-	-	-	7	12	10	8
Attendance at Residents' Conference	-	-	-	240	322	450	375
No. attending roadshows	-	-	-	363	145	329	120

10 Customer Service Centre

- 10.1 The KPI targets for the Customer Service Centre (CSC) for 2015-16 were to answer $\geq 90\%$ of all calls and to answer $\geq 70\%$ of these calls within 30 seconds. Year-end figures show that we answered 93.69% of calls and that 71.58% of these were answered within 30 seconds.
- 10.2 Due to a strong recruitment drive in April 2015 and again in August 2015 along with a robust training schedule, the department has been able to retain the correct number of staff members needed to maintain our service levels.

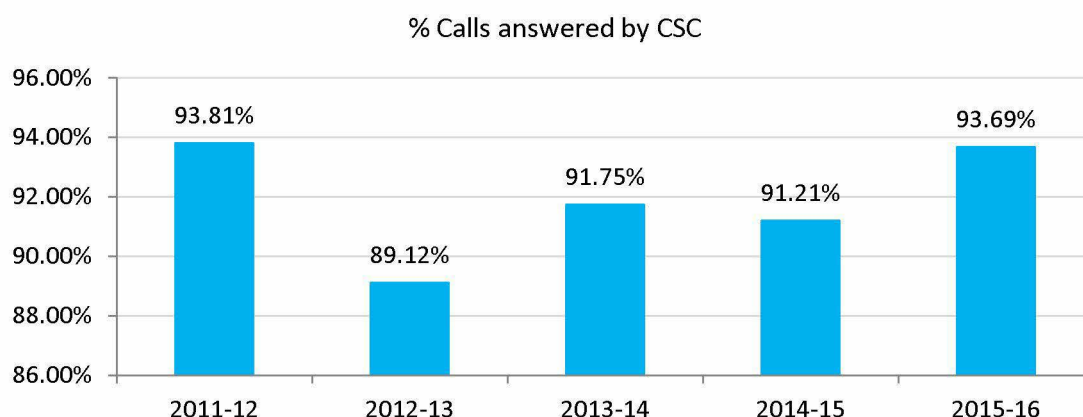
- 10.3 The CSC has continued to receive a high number of emails and correspondence through the Reporting Repairs, Contact us and Parking inboxes throughout the year. This has generated more administration for the CSC; however, the CSC has been able to maintain service levels for both call quality and % of calls answered during this time.
- 10.4 Despite above target performance for 2015-16, our existing targets have been retained for 2016-17, with the addition of a new PI for satisfaction with call handling.
- 10.5 We anticipate that call lengths will increase during the mobilisation period of CRM and therefore feel that retaining current targets is more realistic and achievable for the year and will enable the team to focus on the quality of service being provided and resolving queries at the first point of contact.

Update: May 2016

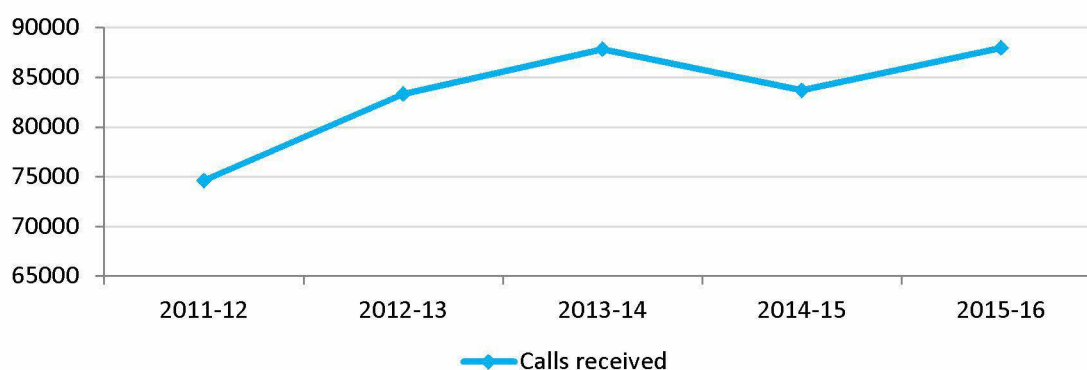
- 10.6 Performance was maintained and improved on for the first two months of the year, with 96.18% of call answered in the period, of which 76.67% were answered within 30 seconds.

Trends and benchmarking

- 10.7 The two charts below show trend information on key customer contact PIs going back five years.
- 10.8 The first shows performance for the percentage of incoming calls answered by the CSC, with 2015-16 the second best performing year, just slightly below the peak of 93.81% in 2011-12 (a year when we had a much lower number of incoming calls, as the chart below shows).



- 10.9 Aside from a drop in 2014-15, incoming calls to the Contact Centre have increased year on year.



11 Complaints

11.1 During the final quarter of the year the TMO received 112 new complaints, compared to 111 in quarter 3. For the year as a whole we received 427 new complaints, compared to 288 in 2014-15.

11.2 Analysis of the complaints received during the year reveals that this increase in new complaints is likely to be due to a number of factors, including but not limited to:-

- a number of communal heating and hot water system failures,
- an increase in complaints about parking,
- responsibility for the handling of complaints from Lancaster West residents moved from the Lancaster West neighbourhood team to the Complaints Team,
- a lack of communication with residents in terms of expected timescales for completion of repairs,
- delays in authorising variations to repair orders and completing follow on works,
- leaks from and into leasehold properties.

11.3 These issues are the subject of regular meetings between the complaints team and other service managers and the progress in responding to them is being monitored.

11.4 As with previous years, more complaints were received about repairs and maintenance than other service areas, and in particular there was an increase in the number of complaints about central plant systems.

11.5 For the year the TMO responded to 92.41% of Stage One complaints within target, meeting the target of $\geq 90\%$.

11.6 There has been an increase in the number of complaints closed at Stage 2 and 3. This is in part due to the Complaints Team undertaking a drive to ensure follow up issues and discussions with residents that take place after Stage 1 responses are recorded correctly as Stage 2 escalations (and so on).

Update: May 2016

11.7 During April and May 92.96% of stage one complaints were answered in target, achieving the $\geq 90\%$ target position. During the same period 66 new complaints were received.

Trends and benchmarking

11.8 The table below shows performance for our key complaints PIs going back three years, together with benchmarking information where available.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
New complaints	-	-	-	271	288	427	-
Stage 1 responses in target	-	-	-	87.9	94.0	92.41	90%
% complaints upheld	46.0	56.50	61.93	79.7	73.4	65.56	$\leq 68.4\%$
No. active complaints at month end	-	-	-	102	108	143	-

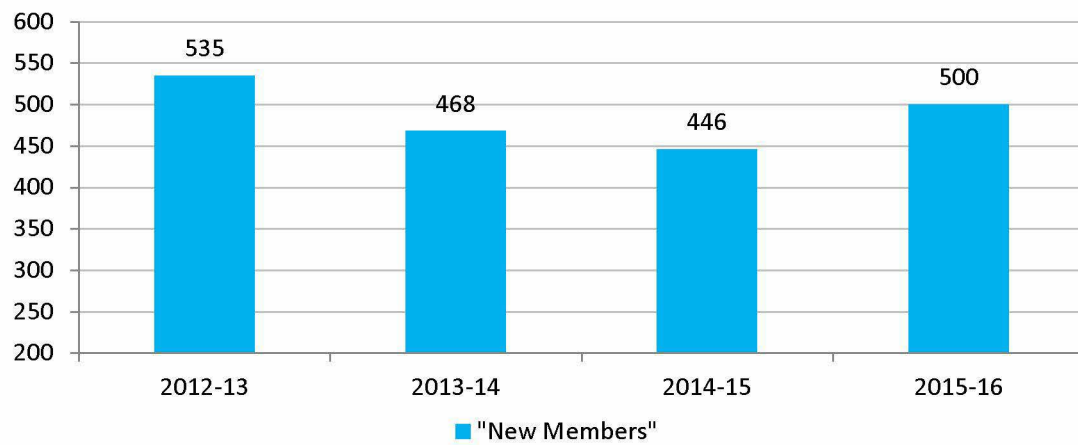
11.9 At present we are lower quartile performers for the percentage of complaints upheld but our performance in this area is improving year by year. It should also be noted that this is a difficult PI when deciding whether a low rate is good – performance in this area ideally needs to be judged on a complaint by complaint basis.

12 Membership

12.1 During 2015-16 a total of 500 new members joined the TMO, against an annual target of ≥ 454 .

12.2 The target for 2016-17 has been increased to 550.

12.3 Over the past four years we have recruited an average of 487 new members each year, as shown on the chart below.



13 Recommendations

13.1 The Board is invited to comment on the contents of this report.



**BOARD KPI REPORT
QUARTER 4: 2015-16**

BOARD KPI REPORT - QUARTER 4: 2015-16

Repairs & Maintenance



	2014-15	Q1	Q2	Q3	Q4	2015-16	Status	Target	Upper quartile
Responsive repairs									
Emergency repairs completed in target	95.48%	97.6%	97.6%	98.0%	98.5%	97.9%		>=99%	NC
Non-emergency repairs completed in target	93.1%	95.6%	93.9%	95.9%	97.5%	95.7%		>=98%	NC
Void repairs completed in target	95.2%	96.7%	97.7%	98.2%	98.8%	97.8%		>=90%	NC
Recalls as a % jobs completed	2.3%	1.8%	0.8%	0.5%	0.7%	1.0%		<=5%	NC
Post inspection pass rate (Quality)	63.5%	89.8%	94.7%	96.4%	88.5%	92.3%		>=90%	NC
Customer satisfaction	93.7%	96.3%	97.3%	99.1%	96.2%	97.1%		>=95%	93.7%
Voids & lettings									
No. General needs lettings (minor and major)	202	60	52	41	46	199	Info		
Average number of days to re-let a general needs home where minor works have been undertaken (calendar days)	Revised PI	23.54	14.52	19.31	15.76	18.69		<=23.0	21.10
Void rent loss as % of rent roll (YTD)	1.28%	0.79%	0.71%	0.73%	0.73%	0.73%		<=0.75%	0.84%
Available voids at month end	46	43	41	43	50	50		<=40	40
Compliance									
% properties with valid Landlords Gas Safety Certificate (LGSR)	99.45%	100.00%	99.94%	100.00%	100.00%	100.00%		100%	100%
Number of homes without a valid LGSR	36	0	3	0	0	0		0	NC
Number without LGSR for >3 months	0	0	0	0	0	0		0	NC
Customer satisfaction	99.8%	97.7%	98.0%	100.0%	99.9%	98.9%		>=95%	NC
Capital programme									
Number of homes brought up to the KCTMO standard internally	327	0	0	391	542	933		1004	NC
Number of homes brought up to the KCTMO standard externally	1420	0	0	120	0	120		2157	NC
Number of homes where SAP rating has increased through planned works	1341	0	0	120	0	120		1091	NC
Actual capital spend	£ 9,728,180	-	-	-	-	11.878m		11.5m	NC
Actual capital spend as a % total annual budget	99.8%	-	-	-	-	103.3%		>=99%	NC

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BOARD KPI REPORT - QUARTER 4: 2015-16



Income Collection

	2014-15	Q1	Q2	Q3	Q4	2015-16	Status	Target	Target for period	Upper quartile
Current tenant arrears										
Rent collected as a % rent due (excl arrears b/f)	99.65%	98.41%	98.73%	99.18%	101.07%	101.07%		>=99.96%	-	99.49%
Gross current tenant rent arrears (£millions)	0.964	1.089	1.187	1.224	1.035	1.035		<=0.984	<=0.984	NC
Gross arrears as a % rent roll	1.90%	2.10%	2.30%	2.38%	2.02%	2.02%		<=1.90%	-	2.06%
Percentage of tenancies with arrears of more than seven weeks	3.96%	4.25%	5.02%	5.14%	4.38%	4.38%		<=4.5%	-	NC
Arrears - social sector size criteria households	£ 76,910	£ 79,898	£ 84,629	£ 95,580	£ 76,318	£ 76,318				
Former tenant arrears										
FTA cash collection	£91,119	£16,809	£21,043	£23,602	£20,033	£81,487		£85,000	£85,000	NC
FTA write off	£80,093	£297	£134	£330	-£65	£696	Info	-	-	
FTA housing benefit collection	£10,599	-£654	£6,745	£4,965	£3,465	£14,521	Info	-	-	
Homeownership										
Collection rate - service charges	104.68%	25.41%	28.34%	26.59%	33.08%	113.38%		100.17%	100.17%	NC
Collection rate - major works	129.88%	17.75%	15.33%	35.40%	32.62%	105.64%		69.69%	69.69%	NC

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BOARD KPI REPORT - QUARTER 4: 2015-16

Neighbourhoods & Community



	2014-15	Q1	Q2	Q3	Q4	2015-16	Status	Target	Upper quartile
Grounds maintenance & cleaning									
% grounds maintenance inspections achieving required standard	98.3%	98.2%	98.4%	98.5%	98.8%	98.5%		>=97%	NC
No. cleaning callbacks	108	71	73	69	68	281		<=30 p/m	NC
No. quality assurance failures	11	0	0	0	0	0	Info	-	
Anti-social behaviour (ASB)									
No. new ASB cases reported	233	100	93	42	66	301	Info	-	
No. live cases at end of period	88	124	144	120	125	125	Info	-	
% complainants satisfied with handling of case	85.3%	71.4%	67.7%	42.9%	65.5%	64.9%		>=81%	68.7%
% complainants satisfied with outcome of case	85.3%	71.4%	67.7%	57.1%	62.1%	64.9%		>=81%	79.9%
Resident engagement									
No. new members joining Childrens' TMO	36	98	30	7	4	139		>=30	NC
No. new members joining Youth TMO	111	33	11	13	3	60		>=40	NC
No. residents signing up to 'Get on Board'	194	100	81	40	22	243		>=150	NC
No. new Residents Associations or Compacts	12	4	3	1	2	10		>=8	NC
Attendance at residents' conference	322	-	405	-	-	405		>=375	NC
No. attending training & employment road-shows	145	173	0	0	135	329		>=120	NC
Community Alarms Service (CAS)									
Total calls handled	98527	19828	20424	40610	23414	104276	Info	-	
% answered within 60 seconds	98.1%	96.8%	95.8%	97.8%	96.3%	96.9%		95.0%	NC
% emergency visits attended within 45 mins	95.4%	97.1%	96.1%	97.5%	97.0%	96.9%		95.0%	NC
Customer satisfaction	98.5%	99.0%	100.0%	93.9%	98.7%	98.4%		95.0%	NC

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BOARD KPI REPORT - QUARTER 4: 2015-16



Customer Contact

	2014-15	Q1	Q2	Q3	Q4	2015-16	Status	Target	Upper quartile
Customer Service Centre									
No. incoming calls received by Contact Centre	83696	20415	21091	23038	23411	87955	Info		
% answered	91.2%	89.97%	93.18%	96.79%	94.35%	93.69%		>=90%	93.58%
% calls answered within 30 seconds	64.4%	57.1%	66.6%	82.5%	77.0%	71.6%		>=70%	NC
No. Reporting Repairs emails actioned	New PI	2528	2811	3042	1960	10341	Info		
W2 processes & correspondence									
No. actioned within month	7780	2021	2261	3009	3350	10641	Info		
% actioned within target	93.5%	93.7%	94.7%	94.8%	93.3%	94.1%		>=90%	NC

BOARD KPI REPORT - QUARTER 4: 2015-16

Corporate



	2014-15	Q1	Q2	Q3	Q4	2015-16	Status	Target	Target for period	Upper quartile
Complaints										
No. new complaints	288	84	117	111	112	427	Info			
No. Stage One responses	281	88	99	111	84	382				
% answered in target	94.00%	93.18%	96.97%	85.59%	92.24%	92.41%		>=90%		NC
No. Stage Two responses	9	9	7	13	5	34	Info			
% answered in target	100.0%	100.0%	85.7%	76.9%	80.0%	85.3%		>=90%		NC
No. Appeals	1	3	0	1	1	5	Info			
% undertaken in target	100.0%	66.7%	-	100.0%	0.0%	60.0%		>=90%		NC
Governance										
Percentage Board attendance at meetings	80.9%	85.7%	85.7%	53.3%	76.7%	78.2%	Info			
No. new members signed up	446	80	194	111	115	500		>=454	454	NC
No. members voting in AGM	1089	-	724	-	-	724		>=749	749	NC
Human Resources										
Total staff (headcount)	214	215	212	205	205	205	Info			
Average number of days for sickness absence per FTE (rolling 12 months)	5.50	5.17	TBC	6.70	6.44	6.44		<=5.5		6.17

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“the Company”)**

Open	
For information	
Board	
Report title:	Board Performance Report – Year end 2015/16
Authority for decision:	The Board has ultimate responsibility for the performance of the organisation.
Recommendations:	That the Board note the contents of the report.
Regulatory/legal requirements:	The Board has a duty to promote the success of the Company by monitoring its performance against the agreed KPIs.
Business Plan link:	Delivering organisational competence.
Equality Impact Assessment/comment:	There are no equality implications.
Resident consultation:	The Performance Indicators and Business Plan 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:	We are committed to achieving top quartile performance with value for money.
Risk:	A decline in organisational performance could result in reputational risk and action from RBKC.
Appendices:	1
Total number of pages including appendices:	21
Name, position and contact details of author:	Yvonne Birch Executive Director of People & Performance [REDACTED]

Purpose

This report presents the performance against a range of indicators for the period April to March 2016.

1 Introduction

- 1.1 The attached report gives an overview of the performance of the TMO in key business areas during the period April to March 2016.

2 Strategic performance indicators

- 2.1 The traffic light indicators use the usual colours to indicate the status of the year to date performance against target.
- 2.2 All the performance data is validated by an accountable manager and enables staff to monitor trends and make improvements, where necessary.
- 2.3 Where benchmarking information is shown, unless otherwise indicated this will be for our HouseMark peer group, the London ALMOs and local authorities club.

3 Repairs Direct

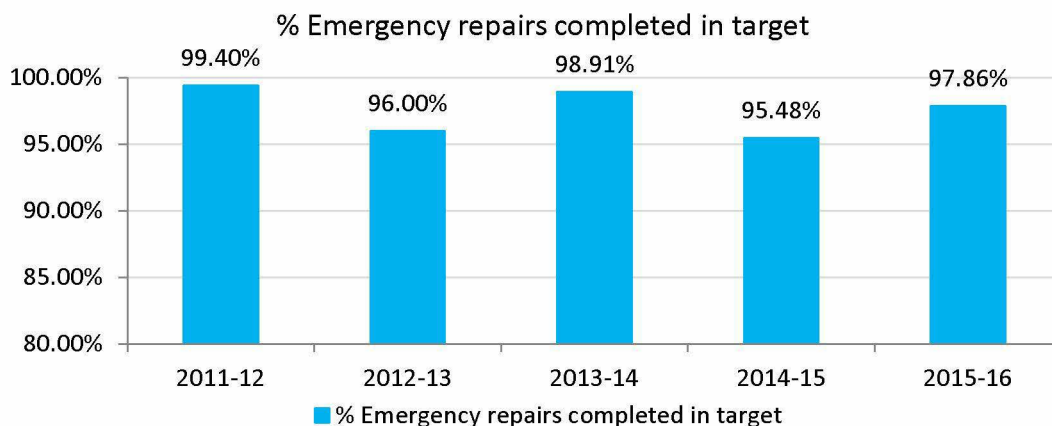
- 3.1 Performance in March has improved across all categories, with targets exceeded for all dashboard indicators for the month. The year finished with 4 of the key targets achieving target, with the remaining two below target but within tolerated limits and all showing improvements when compared to outturns for 2014-15.
- 3.2 The focus moving into 2016-17 will target continued improvement across all measures.

Update: May 2016

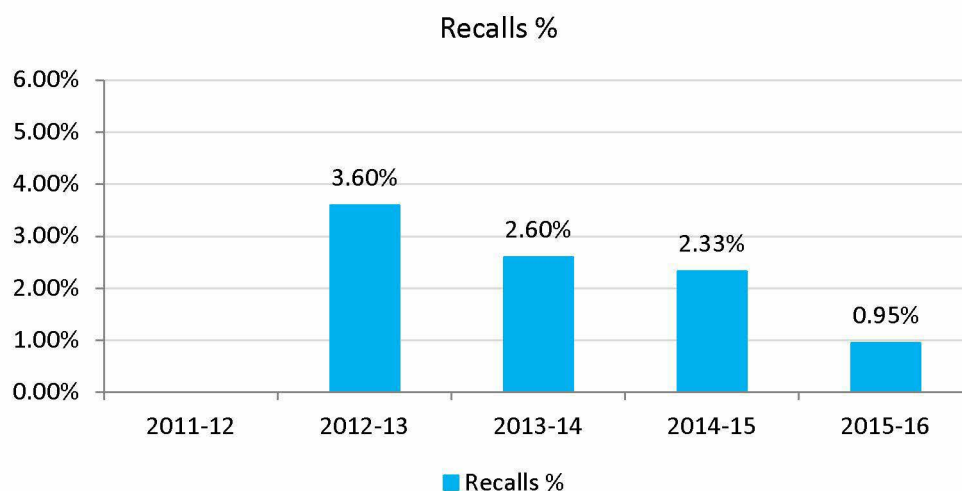
- 3.3 Performance has continued to improve for Repairs Direct PIs, with emergency job completions in target currently at 99.66%.

Trends and benchmarking

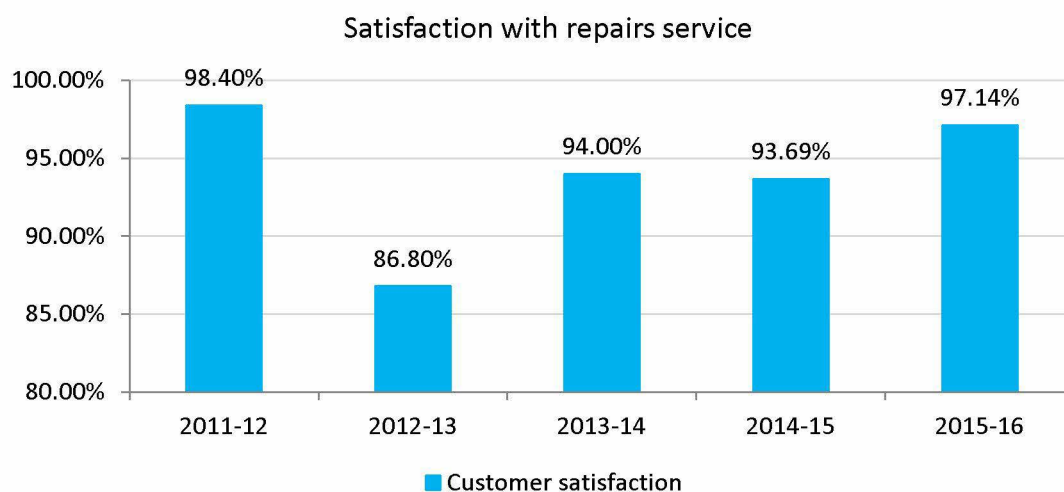
- 3.4 Over the past 5 years the percentage of emergency repairs completed has achieved an average outturn of 97.53%, with 2015-16 finishing above this point at 97.86%.



3.5 Recalls as a percentage of jobs has shown a huge improvement since becoming one of the key PIs in 2012-13 – from 3.60% to 0.95%.



3.6 Improvements in the delivery of the service are reflected in resident satisfaction with Repairs Direct, after a dip to 86.80% in 2012-13.



3.7 At present our current headline PIs are not benchmarked by HouseMark but with the introduction of our new PI for 2016-17, 'Average days to complete a repair' we will be able to regularly benchmarking performance against our peer group.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
% emergency repairs completed in target	-	-	-	98.91	95.48	97.86	>=99%
% non emergency repairs completed in target	-	-	-	97.19	93.09	95.65	>=98%
% Void repairs completed in target	-	-	-	99.10	95.21	97.76	>=90%
Customer satisfaction	-	-	-	94.0	93.69	97.14	>=95%
% Recalls	-	-	-	2.60	2.33	0.95	<=5%
Post inspection pass rate	-	-	-	-	63.49	92.25	>=90%

4 Voids & lettings

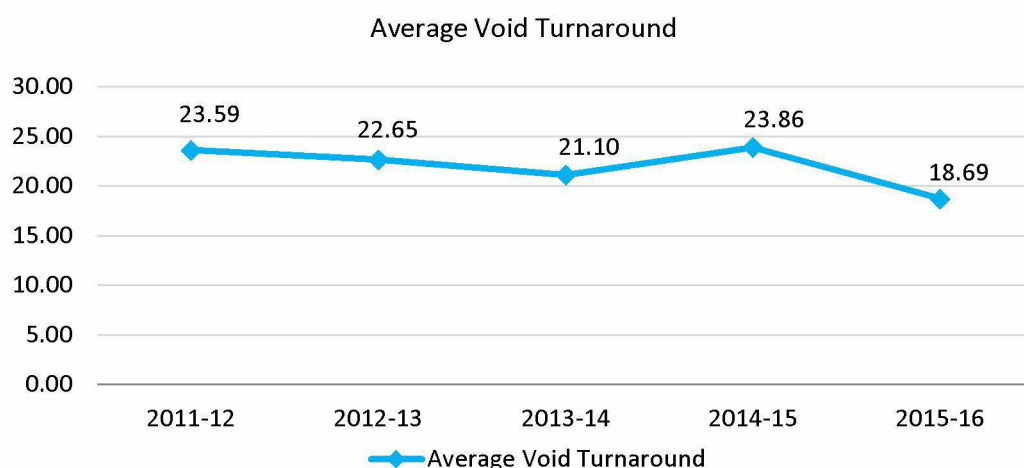
- 4.1 During 2015-16 we re-let just over 200 general needs homes and 10 sheltered accommodation homes, plus undertook additional lettings for temporary accommodation units, temporary decants and Burgess Fields.
- 4.2 Our average re-let period for the turnaround of a standard minor works void was 18.69 days, against a target of <=23.0 days.
- 4.3 This low turnaround period, together with a significant decrease in the number of properties requiring major works during the vacant period, meant that our void loss decreased from 1.28% in 2014-15 to 0.73% - in monetary terms this equates to a saving of over £250k.

Update: May 2016

- 4.4 There has been an increase in the average re-let since year end; however, performance remains within target for this PI. There has been an increase in the percentage of voids requiring major works but this is being monitored closely to minimise its impact on performance.

Trends and benchmarking

- 4.5 The chart below shows the average void turnaround over the past five years. It should be noted that the PI definition was amended this year to fit in with the current HouseMark PI definition.



- 4.6 As shown on the table below, when compared to the quartile positions for our HouseMark peer group, our outturn for 2015-16 puts the TMO in the top quartile for both the average re-let time and void loss.

PI Name	Quartile Positions 1415			1314	1415	1516 to date	1516 target
	Top	Mid	Lower				
Average time to re-let (standard relets)	23.0	30.91	38.00	New PI	New PI	18.69	<=23.0
Void Loss	0.96	1.24	1.62	0.81	1.28	0.73	<=0.75%

5 Compliance

Gas Servicing

- 5.1 Compliancy remained at 100% for March. Warrants continue to be sought where access unreasonably withheld and the No Access Policy continues to operate well.

Update: May 2016

- 5.2 The compliancy rate of 100% has been maintained going into the 2016-17 year.

Trends and benchmarking

- 5.3 The table below shows the TMO's performance for gas compliance PIs going back three years. For 2015-16 the TMO is a top quartile performer in this area.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
Gas compliancy %	100.0	99.99	99.94	99.92	99.45	100.0	100%

6 Rent collection

- 6.1 At the end of March 2016 current tenant rent arrears stood at £1,035,802, against a target of <=£984,493.
- 6.2 Due to ongoing issues with Agresso problems with missing rent payments continue and at the 1st April 2016 the list of reported missing payments totalled over £63,000.
- 6.3 If this £63,000 had been received directly into rent accounts, then the team would have achieved the annual target of arrears below £984k.
- 6.4 At 101.07%, our rent collection rate exceeded the set target for the year. This is following a drive in rent and arrears collection during quarter four and to a lesser extent, the payment of refunds to tenants on one of our estates during quarter 4, in relation to service charges for heating and hot water. For some households these refunds will have assisted in reducing arrears on their accounts, for others the payment will have put their accounts in credit.

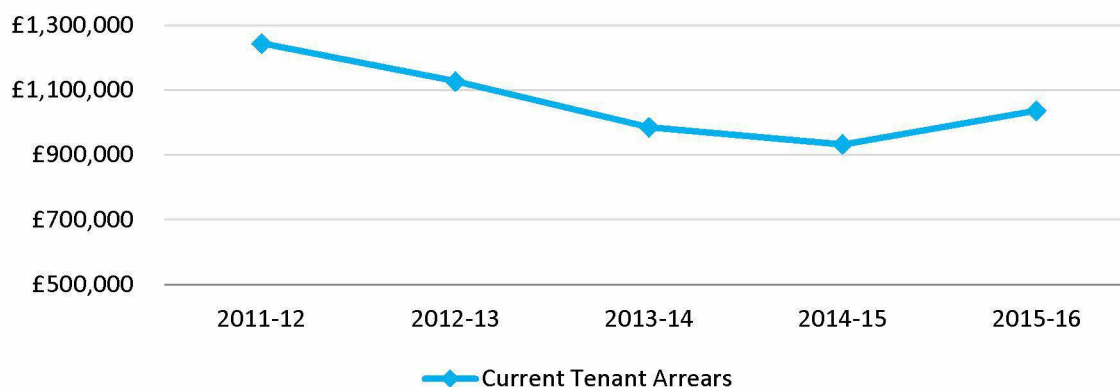
Update: May 2016

- 6.5 Arrears ended May at £988,083, a drop in arrears since year end, and within the target of <=£1.035m.

Trends and benchmarking

- 6.6 The chart below shows how current tenant arrears have reduced from over £1.2 million in 2011-12 to £1.035 million in March 2016, during a period covering the introduction of welfare reform and year on year rent increases.

Current Tenant Arrears



- 6.7 The table below shows three year results for a number of our key arrears dashboard PIs with benchmarking information where available. Compared with 2014-15 outturns the TMO is a top quartile performer for both rent collection and arrears as a percentage of rent roll.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
Rent collection (excl arrears b/f)	99.54	99.20	98.90	100.84	99.65	101.07	99.96%
Arrears as % rent roll	2.12	3.03	3.53	2.05	1.90	2.02	1.90%
% tenants with 7 wks arrears	-	-	-	4.32	3.96	4.38	4.50%
FTA – cash collection	-	-	-	87232	91119	81487	85000
FTA - Write offs £	-	-	-	133291	80093	696	-
FTA - HB collection £	-	-	-	12796	10599	14,521	-

7 Homeownership

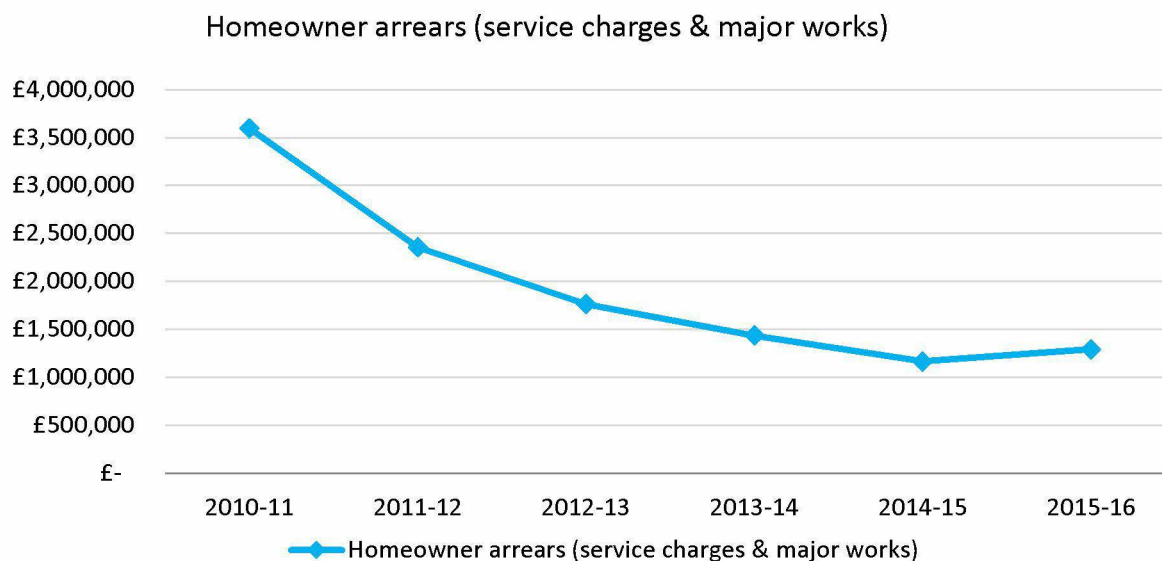
- 7.1 Targets for the collection of leasehold service charges and major works invoices were met for 2015-16.

Update: May 2016

- 7.2 The target for service charge arrears was met and exceeded for May.

Trends and benchmarking

- 7.3 The chart below shows the progress in the reduction of service charge and major works arrears over the past several years; a reduction of £2.3 million since the end of 2010-11.



7.4 The table below gives an overview of the key homeownership PIs going back three years together with benchmarking information where available.

7.5 The TMO is consistently a top quartile performer in this area.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lowe r				
Current dashboard PIs							
Collectio n rate – service charges	-	-	-	105.42	104.68	113.38	>=100.17 2
Collectio n rate – major works	-	-	-	185.37	129.88	105.64	>=69.689
SC Arrears £	-	-	-	212,352	179,004	141,705	<=171,845
MW Arrears £	-	-	-	1,225,425	984,439	1,151,217	<=1,216,05 0
Annual HouseMark PIs (not included above)							
Arrears as a % of service charges due	6.96	13.90	14.93	5.36	4.06	3.50	-

8 Anti-social behaviour

- 8.1 During 2015-16 301 new ASB cases were logged by the TMO, compared to 233 in 2014-15.
- 8.2 A total of 77 residents completed satisfaction surveys during the year – for 30.2% of closed cases, exceeding our target of completing surveys for at least 29.8% of cases. We set this target following several years of low returns, an issue which is experienced by most housing providers for this service area.
- 8.3 The increase in satisfaction returns is very positive as it gives the TMO a broader view of how residents feel about the service provided.

Update: May 2016

- 8.4 Performance has improved for ASB case handling and outcome satisfaction for the year so far. A total of 97.78% of cases have been resolved at closure, against a target of $\geq 97.0\%$.

Trends and benchmarking

- 8.5 The table below shows performance for our key PIs going back three years, together with benchmarking information where available.
- 8.6 Our year end performance for 2015-17 indicates that we are second quartile performers for the percentage of cases resolved on closure, second quartile for the number of new cases per 1,000 managed homes, and lower quartile for satisfaction with outcome and handling.
- 8.7 Later this year we are taking part in the annual core benchmarking exercise. This will enable us to cross reference performance information below with information on staffing levels and costs in order to give a VFM view on performance.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
Current dashboard PIs							
New cases	-	-	-	225	233	301	-
Closed cases	-	-	-	275	185	255	
Live cases	-	-	-	60	88	125	-
Satisfaction with outcome	81.00	64.00	55.37	78.9	85.3	64.94	81%
Satisfaction with handling	82.89	66.67	62.45	83.7	85.3	64.94	81%
% Closed cases with	-	-	-	-	-	30.20	29.8%

survey completed							
Surveys attempted	-	-	-	-	-	179	
Surveys completed	-	-	-	43	34	77	-
Annual HouseMark PIs (not included above)							
Resolution rate	97.07	91.44	81.47	94.91	92.43	94.06	-
New cases per 1,000 properties managed	27.53	42.03	74.05	25.79	24.45	31.67	-

9 Resident engagement

- 9.1 All annual targets for the Resident Engagement team were met for 2015-16. A number of key outcomes from quarter 4 are detailed below.

Quarter 4 activities

- 9.2 The second Get on Board 'Get Wise' roadshow was held on the 18th February at the Chelsea Theatre. A total of 135 residents and children attended.
- 9.3 These roadshows continue to focus on employment & training, welfare benefits and money management, and health & wellbeing. The introduction of the new zoning layout has proved very successful with three zones in operation; employment & training, health & wellbeing, and money.
- 9.4 The TMO continues to be supported at these events by more than 25 local service providers and agencies.

Residents associations & compacts

- 9.5 During the final quarter the Resident Engagement team supported the launch of two new compacts at Mulberry Close and 65 Finborough Road. This brings the total number of new RAs and compacts set up during the year to 10.

Communities Outreach project

- 9.6 During quarter 4 the project engaged with 68 residents. The project was set up with the aim of increasing engagement with BAME residents and has proved very successful since it was piloted in 2014.
- 9.7 The success of the project has been recognised by the housing industry which in turn led to the TMO being nominated as finalists for

a Chartered Institute of Housing (CIH) Award, 'Making a difference in Communities'.

- 9.8 Representatives from the TMO attended the awards ceremony on the 19th April where we finished as runners up to the winner, St Leger Homes.

Update: May 2016

- 9.9 Performance remains steady with 33 new members joining the Children's TMO in the first two months of the year, and 11 joining the Youth group. One new RA has been established.

Trends and benchmarking

- 9.10 The table below shows performance for the past three years for a number of our key resident engagement PIs. There is limited benchmarking information in the area of RE, with the focus instead on resident satisfaction outcomes with participation opportunities (Status/Star surveys).

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
New members – Children's TMO	-	-	-	-	36	139	30
New members – Youth TMO	-	-	-	-	111	60	40
No. new RAs or Compacts	-	-	-	7	12	10	8
Attendance at Residents' Conference	-	-	-	240	322	450	375
No. attending roadshows	-	-	-	363	145	329	120

10 Customer Service Centre

- 10.1 The KPI targets for the Customer Service Centre (CSC) for 2015-16 were to answer $\geq 90\%$ of all calls and to answer $\geq 70\%$ of these calls within 30 seconds. Year-end figures show that we answered 93.69% of calls and that 71.58% of these were answered within 30 seconds.
- 10.2 Due to a strong recruitment drive in April 2015 and again in August 2015 along with a robust training schedule, the department has been able to retain the correct number of staff members needed to maintain our service levels.

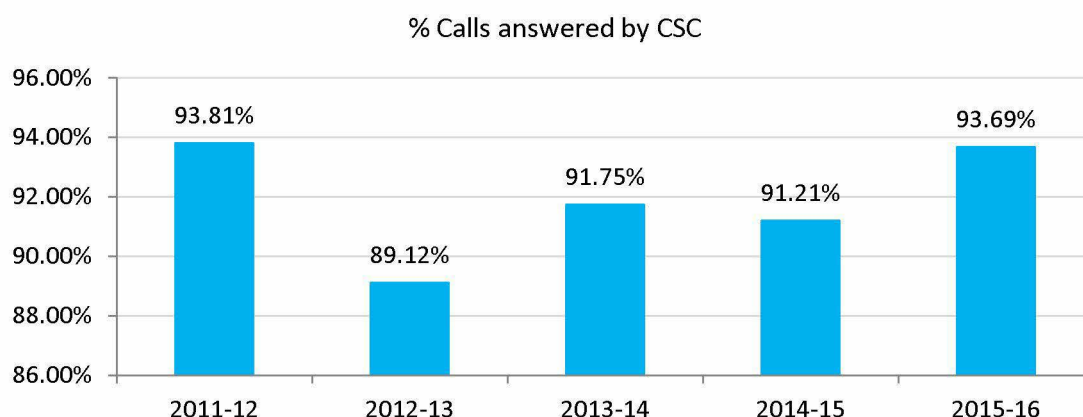
- 10.3 The CSC has continued to receive a high number of emails and correspondence through the Reporting Repairs, Contact us and Parking inboxes throughout the year. This has generated more administration for the CSC; however, the CSC has been able to maintain service levels for both call quality and % of calls answered during this time.
- 10.4 Despite above target performance for 2015-16, our existing targets have been retained for 2016-17, with the addition of a new PI for satisfaction with call handling.
- 10.5 We anticipate that call lengths will increase during the mobilisation period of CRM and therefore feel that retaining current targets is more realistic and achievable for the year and will enable the team to focus on the quality of service being provided and resolving queries at the first point of contact.

Update: May 2016

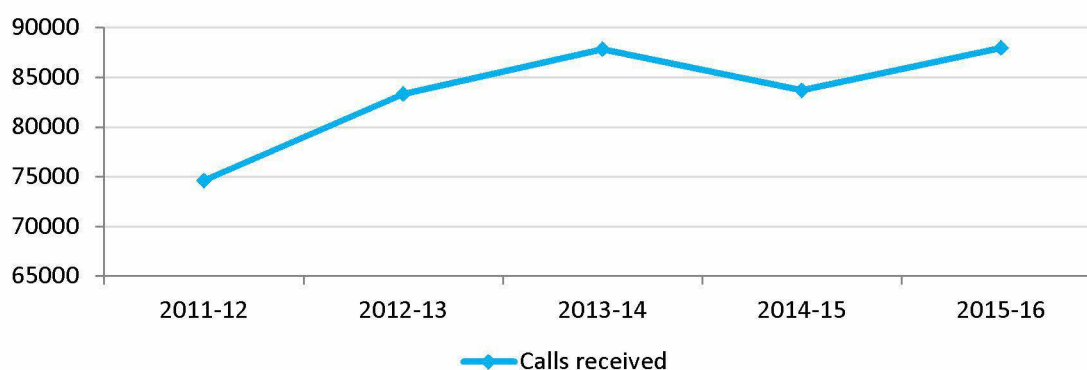
- 10.6 Performance was maintained and improved on for the first two months of the year, with 96.18% of call answered in the period, of which 76.67% were answered within 30 seconds.

Trends and benchmarking

- 10.7 The two charts below show trend information on key customer contact PIs going back five years.
- 10.8 The first shows performance for the percentage of incoming calls answered by the CSC, with 2015-16 the second best performing year, just slightly below the peak of 93.81% in 2011-12 (a year when we had a much lower number of incoming calls, as the chart below shows).



- 10.9 Aside from a drop in 2014-15, incoming calls to the Contact Centre have increased year on year.



11 Complaints

11.1 During the final quarter of the year the TMO received 112 new complaints, compared to 111 in quarter 3. For the year as a whole we received 427 new complaints, compared to 288 in 2014-15.

11.2 Analysis of the complaints received during the year reveals that this increase in new complaints is likely to be due to a number of factors, including but not limited to:-

- a number of communal heating and hot water system failures,
- an increase in complaints about parking,
- responsibility for the handling of complaints from Lancaster West residents moved from the Lancaster West neighbourhood team to the Complaints Team,
- a lack of communication with residents in terms of expected timescales for completion of repairs,
- delays in authorising variations to repair orders and completing follow on works,
- leaks from and into leasehold properties.

11.3 These issues are the subject of regular meetings between the complaints team and other service managers and the progress in responding to them is being monitored.

11.4 As with previous years, more complaints were received about repairs and maintenance than other service areas, and in particular there was an increase in the number of complaints about central plant systems.

11.5 For the year the TMO responded to 92.41% of Stage One complaints within target, meeting the target of $\geq 90\%$.

11.6 There has been an increase in the number of complaints closed at Stage 2 and 3. This is in part due to the Complaints Team undertaking a drive to ensure follow up issues and discussions with residents that take place after Stage 1 responses are recorded correctly as Stage 2 escalations (and so on).

Update: May 2016

11.7 During April and May 92.96% of stage one complaints were answered in target, achieving the $\geq 90\%$ target position. During the same period 66 new complaints were received.

Trends and benchmarking

11.8 The table below shows performance for our key complaints PIs going back three years, together with benchmarking information where available.

PI Name	Quartile Positions 1415			1314	1415	1516	1516 target
	Top	Mid	Lower				
New complaints	-	-	-	271	288	427	-
Stage 1 responses in target	-	-	-	87.9	94.0	92.41	90%
% complaints upheld	46.0	56.50	61.93	79.7	73.4	65.56	$\leq 68.4\%$
No. active complaints at month end	-	-	-	102	108	143	-

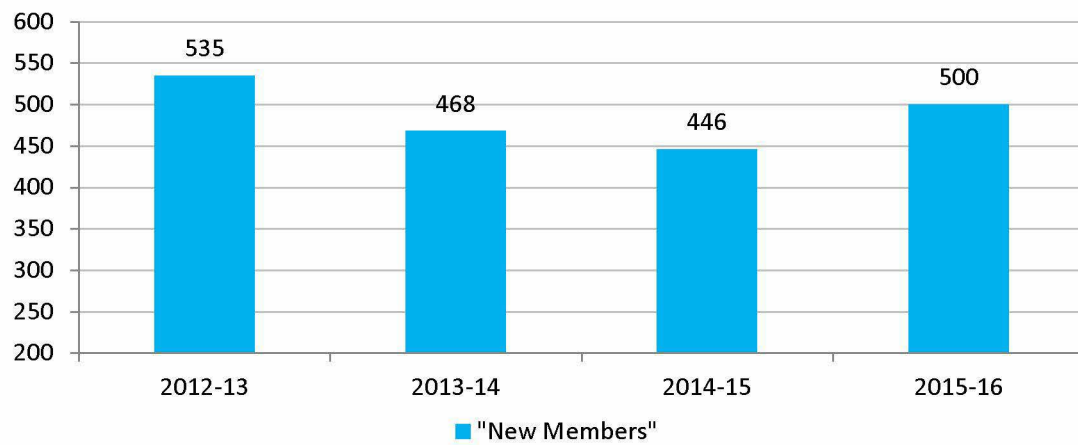
11.9 At present we are lower quartile performers for the percentage of complaints upheld but our performance in this area is improving year by year. It should also be noted that this is a difficult PI when deciding whether a low rate is good – performance in this area ideally needs to be judged on a complaint by complaint basis.

12 Membership

12.1 During 2015-16 a total of 500 new members joined the TMO, against an annual target of ≥ 454 .

12.2 The target for 2016-17 has been increased to 550.

12.3 Over the past four years we have recruited an average of 487 new members each year, as shown on the chart below.



13 Recommendations

13.1 The Board is invited to comment on the contents of this report.

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

Confidential	
For information	
Board Report 20 July 2016	
Report title:	Chief Executive's Report
Authority for decision:	The Board has ultimate responsibility for monitoring the performance of the Company.
Recommendations:	It is recommended that the Board note the contents of the report.
Regulatory/legal requirements:	None.
Business Plan link:	Keeping abreast of performance initiatives within the organisation, and external development affecting social housing.
Equality Impact Assessment/comment:	Equality and diversity issues are taken into consideration.
Resident consultation:	n/a
Resource implications/VFM statement:	Keeping up to date on the latest developments in social housing is important for shaping the business. Improved performance will help the Company to achieve its VFM objectives.
Risk:	Failure to engage with the external housing sector could have an adverse effect on the Company in keeping abreast of developments within the sector. There is also reputational risk if performance fails to improve across the Company.
Appendices:	0
Total number of pages including appendices:	4
Name, position and contact details of author:	Robert Black, Chief Executive Ext [REDACTED]

1. CHIEF EXECUTIVE & CHAIR OF THE TMO BOARD'S DIARIES

Chief Executive

I along with my Executive Team have been busy with ET visits as part of the People Strategy. Each member of the Executive Team has been allocated a quarter of the total staff (60) including Repairs Direct to meet with. They are a great opportunity for the Executive member to talk to colleague about what they do, any obstacles they may face on a daily/weekly basis, what it is like to work for the TMO and to find out what they think of Best companies and our values.

Sacha Jevans and I attended RBKC's Civic Service at St Luke's Church, Sydney Street, SW3 on Thursday 9th June, which was followed by a reception at the Chelsea Old Town Hall.

Our Board Away Day at The Lensbury took place on Friday 10th June. Radojka Miljevic joined us and we had an inconclusive discussion about board size and composition. Sacha spoke about CRM and was able to let them see what CRM looks like for the user. Yvonne spoke about Best Companies and Barbara spoke about Business Growth. Laura Johnson and I gave a housing update and Councillor Nick Paget-Brown joined us at the end of the session and took questions. We had an enjoyable dinner in the evening with Laura and the leader staying with us for this and we celebrated Peter Chapman, Tony Annis and Jeff Zitron's contribution to the board and their retirement.

As part of the People Strategy we held a Managerial Engagement Workshop for all our managers on Tuesday 21st June. It was a great opportunity for Best Companies to explain the results and give them the insight and tools to be better leaders. We focused on the areas of supporting staff and understanding the dynamics of how to improve our engagement.

The CIH Conference took place in Manchester on 28th, 29th & 30th June and I attended this along with Barbara Matthews, Fay Edwards as Chair and Kush Kanodia as Vice Chair. The impact of the referendum and the political impact was the key talking point at this event and the conclusion was that Government will not be making any decisions until the outcome of the leadership contest as we could see new minister being put in place. This will also impact on the DCLG in terms of capacity and focus.

On Tuesday 5th July I had the pleasure of attending the Housing Association National Accountancy Awards (HANAA's) at the Radisson Blu Portman Hotel as Barbara has been nominated by her team for Finance Director of the Year. Although not successful it was a good position to be shortlisted against the Housing Association sector and good publicity for the Company. It also reflects the positive impact Barbara has had on her team in the short time she has been here.

On Thursday 7th July, Fay and myself attended Policy Board at RBKC to discuss the end of year regulatory report which will be presented at our next

Chair

Every year Wates Living Space hold an annual community week and this year it took place the week commencing the 13th June until 17th June. The idea of this event is for the whole project team to get together for one day to give something back to the community that they have now all become a part of and in past years there has always been a good turnout on the day from all parties involved.

For this year the project was to paint the main hall at Henry Dickens Community Hall and Fay was asked to go along on 14th June to cut the ribbon for Wates Living Space on behalf of the TMO and the residents of Henry Dickens court.

2. BOARD MEMBER VISITS THE CSC

Anne Duru was invited to visit the Customer Service Centre to see CRM in operation. Anne visited the CSC on the afternoon of Friday 24th June and kindly sent me this briefing which I thought you would like to see.

Anne first met with Olivia Hutchinson, Head of Customer Service just over a year ago. Anne notes the importance of the CSC as a main point of contact for residents which links to our Business Plan, 'Customers at the heart of what we do' and also that the CRM system is important to our IT infrastructure, which links to a Risk Management Objective, tools that are fit for the purpose.

Prior to talking about CRM Olivia updated Anne on the changes to the CSC in the last year. Firstly, staff now have ongoing training which is paying dividends and secondly the pay scales have been developed to ensure that committed staff are rewarded and able to commit to their roles. The CSC is now more confident that they can retain staff with increased salaries and better salary grades. These developments mean that CSC staff are more professional and feel valued as a first point of contact for residents.

Olivia noted that it has been a period of change for CSC staff with the introduction of CRM. Staff have found they are able to assign resident enquiries to the relevant TMO department through CRM therefore assigning ownership for a required action; which means enquiries are more traceable and there is less clutter with sending, chasing emails and tracking communication in dealing with a complaint.

Olivia advised that CRM was up and running on 25th May 2016 and they are just completing Phase 1 of the CRM project, although there is still more work needed to be done. IT are currently dealing with issues with the TMO server because the system was slowing slightly, but that was expected to be resolved quite promptly.

Staff still currently use 3 systems, CRM (Microsoft Dynamics), Capita (Logging repairs) and DRS (Booking appointments) because they have not been able to integrate Capita and DRS in Phase 1. All historical information is still on Capita but follow ups are logged in CRM. It is unlikely that historical data can be integrated but it may be possible to integrate DRS in Phase 2 or 3. They have been able to include a Capita link in the CRM. Olivia noted that overall the CRM has been very positive for the CSC and the wider TMO.

Anne met with Steve, a Customer Service Advisor for two years. Steve along with all the other Customer Service Advisors sit with two computer screens on their desks; a

smaller square screen for Capita on their left and a large modern screen for CRM and DRS on their right. The main CRM screen has a button to access Capita on the small screen or you can directly access Capita from the smaller screen. Steve advised that all three systems run quite smoothly together.

Anne sat with Steve while he answered two calls which she found very interesting. Steve also talked Anne through how they deal with a repairs request.

Olivia advised Anne that the CSC has had two additional temporary staff members to assist with the launch of the CRM project to help with cover for training and any delays while staff become familiar with the CRM system and they will be in place until the end of July.

Anne came away with a very positive impression of the CRM at the CSC, which is excellent considering we are still within our first month with the CRM.

4. RBKC PRAISE GRENFELL TOWER REGENERATION

The Leader of the Council, Nick Paget-Brown, has written to Peter Maddison highly praising Peter and his team on the completion of the £10m refurbishment of Grenfell Tower. In the letter he says "I just wanted to write and thank you on behalf of the Cabinet for all that you have done to deliver this project. It is a huge improvement on the previous environment and will make an enormous difference to the lives of people living there. The new entrance, club room, nursery and enhanced boxing club are tremendous." This was also reported in the 'life in the Borough' newspaper which outlined the project and the role we played in this.

5. RBKC END OF YEAR REVIEW

The RBKC report on our Company's end of year performance is a formal report and assessment carried out by the Council, it looks at how well are we managing their homes, our KPI performance, audits and wider housing objectives in line with the Council's Housing strategy. As part of the Modula Management Agreement (MMA) the Chair met with Councilor RFM to go through this report on 7th July 2016, Laura Johnson, Robert Black and Yvonne Birch were also in attendance

This report will be presented to the Board by RBKC and had also been presented to the Scrutiny Committee on Wednesday 13th July 2016. The report was reviewed by the committee and some of the key points highlighted by Laura Johnson were the on-going improvements in our performance with rent collection and arrears, void re-let times (this was pulled out as the reduction in time to re-let a property had increased income by £250k in the year) and the leasehold service charge are all in the upper quartile of the Housemark club. She also identified our Audits as a key strength due to the high number of 'substantial' outcomes which is an extremely good performance. RBKC and the committee noted that the improvement on repairs and the delivery of the capital programme. It was also noted that the improvement in the management of the HRA Commercial portfolio resulted in a 5% increase in rental income. The parking review has resulted in three new leases which will in the future generate an extra £1m a year for the HRA and the Lowerwood court lease bringing a capital investment to transform this corner. The conclusion was that the TMO is providing quality housing management and the compliance on audits is an excellent position. The Chair of the committee noted that he had seen a year on year improvements in the Company and its performance

It was also noted that the TMO had worked hard to minimise the disruption with the Agresso financial system the Council had introduced and had been in an excellent position that our targets were being met on the income side for tenants and leaseholders.

6. TRELICK TOWER

At the Board meeting in May 2016 the Board noted the investment programme proposed to be delivered on Trellick Tower in 2016-2017/18 and that the works were to be procured through the Framework with Wates and Bailey Garner being the proposed contractor and consultant. A more detailed report on the implications of including Trellick in the Capital Programme was presented to the May Operations Committee. The paper set out indicative details of what other capital works which could not be progressed due to the disproportionate element of the overall capital programme required for Trellick.

The matter was raised by the Board with the Leader of the Council at the Away Day in June. RBKC recognised the significant cost required to bring Trellick Tower up to a reasonable state of repair, however some basic external repairs are required to ensure the building is safe and wind and watertight. RBKC also acknowledged that the longer term options for the future of Trellick Tower are complicated and so therefore have in the meantime introduced intermediate rent as an option to generate additional income that can help subsidise the high level of investment required

7. RBKC'S REPORT TO TAXPAYERS SUPPLEMENT

This was published in the local council paper and included a section on Housing and outlined the work on Hidden Homes and the role KCTMO played in the delivery and a section on the £10m refurbishment of Grenfell Tower

8. FIRST EVER RESIDENTIAL YOUTH FORUM WAS A GREAT SUCCESS

Nine Youth Forum members enjoyed a three-day residential stay earlier this month at the PGL outdoor activity centre in Swindon. The aim of the trip was to develop team building skills and self-confidence by taking the 14-19 year olds outside their comfort zone and outside London too.

During the action packed three days they enjoyed a zip wire experience, archery, a giant swing, aeroball, abseiling and a trapeze. One of the most popular activities was the aeroball, which is a cross between trampolining and volleyball.

They also looked at the future of the forum and delved into meaningful discussions about tolerance, considering peoples learning abilities, differences and equality. Other topics they explored were how to stay safe when using social media and how the TMO can better communicate with young people through these methods

9. HOUSING & PLANNING ACT BRIEFING

Introduction

The Housing and Planning Act 2016 will bring significant changes to the provision and management of affordable housing in England. Implementation will begin in several

months when government has prepared secondary legislation and guidance to apply the powers contained in the Act. However, due to robust scrutiny of the Bill by the House of Lords, ministers have already given some detail on how they intend to proceed with a number of the new measures beyond what is written in the Act. Housing providers can therefore begin to anticipate the impact, implications and opportunities that arise from this game-changing legislation.

This briefing sets out the provisions in the Act that relate to management of social housing and development of new affordable homes across England and all Housing providers (Local Authorities, Registered Providers, Local Authorities and ALMO's) and gives further policy detail where this has been announced. It highlights key areas of housing businesses that will be affected, and provides details of Savills staff who can advise on responses to individual provisions. Policies covered are:

- Sales of higher value council homes
- Social housing regulation
- Voluntary Right to Buy
- Starter Homes
- High Income Social Tenants (Pay to Stay)
- Redefinition of secure tenancies.

Local authorities, ALMO's, Housing Associations, for profit providers and developers will be impacted in different ways by these provisions, but all the policies are relevant to their operations and strategies.

New policies

The following policies are expected to be phased in over the next 10 months. Implementation dates have not yet been announced, but indications are given in the briefing where possible.

Sales of vacant higher value council homes

There will be an annual levy on stock-owning local authorities based on the market value of higher value council homes that are assumed to have fallen vacant in that year. Councils must pay this money to central government each year, primarily to fund the Right to Buy for housing association tenants. Councils also have a duty to consider selling their higher value housing when it falls vacant, but there is no specific requirement to sell it.

Next steps

- Councils must be collectively and individually consulted by government before the method of calculation and amount to be paid are determined
- Government can charge councils after the start of the financial year in the first year of operation
- Government can publish statutory guidance on the duty to consider higher value sales.

Calculating and paying the levy

- The payment must represent the estimated value of market value of higher value council homes that are likely to come vacant in the financial year, less administration costs (i.e. the payment will be made in advance and will not be based on homes that actually fall vacant in the year – assumptions will be made based on the previous year's turnover)

- The amount to be paid can be based wholly or partly on a formula
- The provisions will relate to 'higher value' homes rather than 'high value' homes – this means the levy can be based on homes of the highest value relative to the council's portfolio, rather than those which are high value compared to all property in the borough or region. Note that the government will formally define higher value later, through regulations – it has the power to define what properties are the comparator to determine higher value, including comparison to local homes or council-owned homes
- Homes in Areas of Outstanding Natural Beauty and National Parks will not be included in the calculation of the amounts to be paid by councils. There will be additional exemptions for rural areas but the detail is not yet known
- Government can charge councils penalties for late payment.

Opportunities to retain funds

- Councils will be able to negotiate with government to pay back less than the amount charged, if they spend the money on new housing (or enabling new housing provision) and they agree with government what they will spend the money on
- Outside of London at least one new affordable home must be provided for each home sold where councils agree with government to retain some of the receipts to build new housing. However, it should be noted that government is proposing to redefine affordable to include Starter Homes, and that they have said nothing about who owns the replacement homes or where they will be
- In London at least two new affordable homes must be provided for each one sold where councils agree with government to retain some of the receipts to build new housing. These new homes will not necessarily be in the same borough as the ones that were sold.

Additional details

- If a council transfers its stock to a housing association in future, government can treat the council as if it still owns the homes and levy a charge accordingly
- Government has stated that the voluntary Right to Buy will not cost any more than the amount raised through the charge on higher value council housing.

Implementation: Unclear, presumed by April 2017 at the latest

Key areas of impact

- Local authority HRA business plans
- Local authority HRA asset management and development strategies
- Companies with an interest in purchasing local authority stock.

At this stage DCLG and the Treasury have not confirmed what these amounts are and due to the political changes going on this may be delayed.

Social housing regulation

The provisions enable government to reduce the regulatory burden on housing associations. There are also new mechanisms for dealing with housing associations that become insolvent. Administrators must try to, but do not have to, ensure the properties owned by an insolvent landlord stay within the social housing sector. The Act sets out who will be involved in the administration process, along with their powers and obligations.

Local authority influence over housing associations

- Government can restrict or remove local authorities' powers over housing associations e.g. it can remove or limit their voting rights and ability to sit on boards of LSVT associations, regardless of what their company rules currently say.

This may affect some ALMO's which have set up separate Housing Associations and have local councillors on it. However, it does not impact on TMO's in general or our organisation.

Stock disposals

- Housing associations will no longer need to get consent before they sell homes/land (vacant or tenanted), restructure their business, change their company rules, merge with another business, or raise finance against property. Associations must still notify the regulator in advance of doing these things
- The DPF will be abolished, which lifts HCA restrictions on how housing associations spend money received from sales of grant-funded homes.

Implementation: Expected autumn 2016

Key areas of impact

- Housing association asset management strategies
- Housing association company growth/merger strategies
- LSVT associations' company rules, governance and working relationships with councils
- Councils planning to register housing companies with the HCA

Voluntary Right to Buy

The Act gives government the power to refund housing associations for the discount given to tenants under the Voluntary Right to Buy (VRTB). It also gives power to monitor and report on associations' participation in the VRTB scheme.

Refund of discounts to housing associations

- The government or GLA can give grants to refund housing associations for VRTB discounts given to tenants
- The government or GLA can specify terms attached to the grants

Monitoring of participation in Voluntary Right to Buy

- Government can set criteria for homeownership that can be monitored by the HCA, but this only relates to non-statutory sales of homes
- Government can publish data on compliance with the Voluntary Right to Buy
- Government can name housing associations that do not comply with the VRTB

Further work to develop VRTB

- The National Housing Federation, Council of Mortgage Lenders and Local Government Association will form a working group to look at fraud and exploitative practices in the statutory Right to Buy. Findings will be used to help reduce these in the voluntary scheme.

Implementation: Later in 2016, probably autumn

Key areas of impact

- Housing association treasury management and cash flow
- Housing association development strategies

Starter Homes

The Act defines what Starter Homes are and how the discount works, and it changes the planning system to require provision of them. In February Savills issued a **policy response** which highlighted that the Starter Homes policy could distort the new homes sales market without significantly increasing the number of new homes delivered overall.

Eligibility

- New homes must be available for purchase only by qualifying first-time buyers
- They can be bought freehold or leasehold
- Homes must be sold at a discount of at least 20% of the market value
- Homes must be sold for less than the price cap, which is £250,000 outside Greater London and £450,000 in Greater London
- Purchasers must be aged between 23 and 40, or be injured service personnel or widowers of servicemen/women

Planning policy

- Planning permission will require provision of (or funding for) Starter Homes by developers. The threshold for provision is currently being considered by government
- Starter Homes will not be required on rural exception sites, or in National Parks and Areas of Outstanding National Beauty
- Regulations will define some flexibility on the requirement to provide Starter Homes in other rural areas. This will relate to size or type of site.

Sales by owners

- Owners of Starter Homes will have to repay some of the discount (as a percentage of the value of the home) if they sell within a set period
- The amount to be repaid will be tapered according to how long they've lived there. The length of the taper is to be agreed later
- Government has the power to require owners of Starter Homes to sell at a discount to a qualifying first time buyer if they sell within a specified time.

Implementation: Unclear, perhaps later in 2016

Key areas of impact

- Registered provider development strategies
- Homebuilder development strategy and finances
- Local authority housing strategies

High Income Social Tenants (Pay to Stay)

Council tenants with higher incomes will be required to pay more than a social rent. A tenants' rent will increase in relation to the equivalent market rent for their home when the household earns more than the specified income. Housing associations can choose to implement this policy if they want. Housing associations can keep extra money collected, but councils must pay it back to government.

Income thresholds

- Pay to Stay will apply to household incomes over £31,000 in England and £40,000 in London
- Income thresholds will be reviewed every year to ensure they are increased by CPI

Definition of household income

- Only the incomes of tenants, joint tenants and their partners are taken into account
- Incomes of lodgers and adult children living at home who are not on the tenancy are not counted
- Only the two highest incomes are used to assess income
- Only taxable income is used to assess income (Wages, pensions and investments will be taken into account; disability benefits, child benefit and tax credits will not)

Exemptions

- People claiming Universal Credit or Housing Benefit will not be subject to Pay to Stay.
- If applying a higher rent through Pay to Stay would make someone eligible for Universal Credit or Housing Benefit, the higher rent will not be charged

Identifying household income

- Landlords will be able to require a tenant/prospective tenant to disclose their income, and to charge market rent if they refuse
- HMRC can disclose tenants' incomes to their landlord or an intermediary body so that landlords can check the income details tenants have provided
- Government can issue landlords/intermediary bodies with penalties if tenants' income details are mishandled.

Application of higher rents

- An extra 15p will be added to tenants' rent for every £1 earned over the threshold (a 15% taper), up to the market rent
- Government is working with the Valuation Office Agency to decide how market rent will be calculated for the purposes of this policy
- Higher income tenants are exempted from the 1% rent cuts that social landlords must make from 2016-2020

Local authority administration

- Councils will give the actual amount of money raised to the government – their payment will not be calculated using a formula. However, after the first year this will be reviewed. The legislation gives government the power to charge councils based on estimates of future income
- Councils will not have to collect higher rents where the administration costs would exceed the income raised
- Tenants have a right of appeal if they think the additional rent is charged incorrectly.

Housing association administration

- A housing association using pay to stay must publish a policy that includes details of rent levels, reviews and appeals.

Implementation: April 2017

Key areas of impact

- Local authority income management
- Housing association rent and allocations strategies

Secure tenancies

The Act redefines a secure tenancy to end the use of 'lifetime' tenancies for newest council tenancies. In future, local authorities must offer fixed term tenancies with a 2-10-year term, unless they are notified that a child under 9 lives in the property when the tenancy is granted. The 2016 Act does not affect assured tenancies.

Tenancy lengths for different households

- Regulations and statutory guidance will dictate the length of tenancy councils should grant in different circumstances, and the cases in which they should grant an additional tenancy at the end of a fixed term. These will be published towards the end of 2016
- Councils will be able to give fixed term tenancies of up to 10 years in some circumstances – this is expected to include disabled people, older people, and carers
- Families with school age children will be given a fixed term tenancy that lasts until the child's 19th birthday, as long as the landlord is notified that the child lives in the property
- New introductory tenancies must also be fixed term tenancies that comply with guidance on appropriate duration for the household (minimum 2 years)

Councils will be able to grant permanent tenancies in certain cases (e.g. domestic violence cases)

- Councils must grant a permanent tenancy if they move a current 'lifetime tenant' to a new home for regeneration purposes
- Tenants will have a right to ask for a review of the length of tenancy offered to them.

At the end of a fixed term

- Landlords must review the tenancy at the end of that term to see if the tenant can remain for another fixed period, move to another property, or leave council housing altogether.
- Landlords must offer advice on buying a home and other housing options if they consider it realistic or appropriate at that time

Rights to succession and compensation for improvements

- People succeeding to a tenancy will be given a 5 year fixed term tenancy
- The statutory right to improve, and receive compensation for improvements, will become voluntary i.e. councils will not be required to include this in tenancy agreements.

Implementation: Unknown, presume April 2017

Key areas of impact

- Local authority lettings and housing management

10. TRIPARTITE AGREEMENT FLOATED TO TACKLE LONDON'S HOUSING CRISIS

Progress is being made on a tripartite agreement between the government, the new mayor of London and the capital's boroughs as an attempt to tackle the city's housing crisis, according to a new report from London Councils.

In a Housing paper to be presented to the organisation's Leaders' Committee this week, it was noted that the mayor of Lewisham, Sir Steve Bullock, and Cllr Ravi Govindia, leader of Wandsworth Council, have been involved in dialogue with the new deputy mayor for housing James Murray and the communities' secretary Greg Clark MP.

Recent discussions have taken place within party groups and a tripartite headline agreement has been floated, potentially involving government, the mayor and boroughs to tackle the housing crisis.

This agreement, according to London Councils, may take the form of a two-stage agreement which could present opportunities for boroughs to "secure some of the flexibilities around housing and planning which were articulated in the earlier London Housing Proposition".

Mayor Bullock added that it is likely the first stage is to be "agreed over the next few weeks and detailed work over the summer". He expected that he and Cllr Govindia would be in the room when agreement was reached and that they would be able to endorse the deal, but could not commit every borough to it.

It was also noted that taking forward any possible headline agreement, especially with regards to implementation, raises the issue of the potential need for improvements to governance and arrangements for closer engagement with the mayor's team on housing and planning policy development and delivery.

In a meeting in late June, Cllr Govindia and mayor Bullock said that the secretary of state was "keen" to achieve a three-way deal involving a "commitment to significant increases in the supply of housing".

Cllr Claire Kober, leader of Haringey Council, also suggested that boroughs needed collectively to be part of an initial tripartite agreement in order to demonstrate commitment. However, mayor Bullock concluded that in the two-stage approach there may be boroughs that "would never sign up to the second stage and they would have to deal with the consequences".

As well as discussions on the tripartite agreement, it was noted that the chief executive-led Housing Devolution Group has convened in support of London Councils' work on devolution and public service reform. They have also started looking at a more detailed consideration of how a voluntary collaborative housing delivery vehicle could add value to the work of individual London boroughs.

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED ("the Company")**

Open	
For Decision	
Board Report 20 July 2016	
Report title:	Board Membership Matters
Authority for decision:	The Board has a duty to ensure that the Company complies with its Constitution.
Recommendations:	<p>It is recommended that the Board consider this report and upon due consideration, agree to pass resolutions in the following form:</p> <p>"The Board RESOLVED TO:</p> <ul style="list-style-type: none"> (a) note the resignations from the Board; (b) agree to authorise the Company Secretary to update the Register of Directors of the Company with the effective resignations; (c) agreed to reappoint Simon Brissenden for a term of three years, as a director of the Company according to 31.4 of the Constitution, subject to the signing of the Terms of Appointment; and (d) agree to agree to authorise the Appointments & Remuneration Committee to undertake its delegated powers, under its Terms of Reference, of recruiting and selecting an Independent Board Member, and making recommendations to the Board."
Regulatory/legal requirements:	The Board is responsible for ensuring compliance with the Constitution of the Company.
Business Plan link:	Not Applicable
Equality Impact Assessment/comment:	The provisions of the Equality Act 2010 will be complied with, in the applicable recruitment process.
Resident consultation:	Not Applicable
Resource implications/VFM statement:	The Recruitment process will be funded from the budget set by the Company.
Risk:	<p>Vacancies on the Board may result in a skills/experience gap which could impact the effectiveness of the Board.</p> <p>Undertaking the recruitment of Board Member according to the provisions of the constitution of the Company results in no risk to the Company.</p>
Appendices:	None
Total number of pages including appendices:	4
Name, position and contact details of author:	Fola Kafidiya, Head of Governance & Company Secretary, Ext [REDACTED]

1. EXECUTIVE SUMMARY

- 1.1 Pursuant to 31.2 of the Constitution, an Independent Board Member is required to retire at the end of a three-year term on the Board. Section 27.2 of the Constitution provides that a Board member shall cease to be a board member if he or she resigns by giving written notice to the Company. There are two vacancies arising in the Independent Board Member category. The Board is being invited to consider the process of selecting the board members to fill the forthcoming vacancies.

2. BOARD VACANCIES

- 2.1 The Board will note that there are a number of vacancies arising this year according to the provisions of 28.4 (Resident Board Members) and 31.2 (Independent Board Members) of the Constitution. There are 8 positions, 6 Resident Board Members, and 2 Independent Board Members under consideration.
- 2.2 There are two Independent Board Member positions under consideration as a result of a resignation from Peter Chapman with effect from 20 July 2016, and Simon Brissenden being subject to retirement according to article 31.2 of the Constitution.
- 2.3 The Company has further received a written notice of resignation from Jeff Zitron with effect from 27 May 2016.
- 2.4 The Board is invited to note the resignations received and authorise the Company Secretary to update the register of directors and secretaries accordingly.

3. FILLING THE VACANCIES

- 3.1 **Resident Board Members** - The Resident Board Member vacancies are to be filled according to clauses 28 and 29 of the Constitution and the Board has agreed and approved the Election Date, the appointment of the Returning Officer, and the issuing of the Election Notice to the members.
- 3.2 **Independent Board Members** - Simon Brissenden is eligible to be reappointed to the Board because he has only served one of the three-year terms he would be eligible for, and he has expressed his consent to be reappointed to the Board, should the Board so choose. A candidate for the vacant position will need to be recruited and selected to by the Board according to 31.3 of the Constitution
- 3.3 **Council-Nominated Board Members** - As these are subject to nominations from RBKC, this vacancy will be filled by RBKC according to articles 30.1 to 30.4 of the Constitution.

4. REAPPOINTMENT, RECRUITMENT AND SELECTION PROCESS

- 4.1 The Board is invited to consider and agree to the reappointment of Simon Brissenden, for a term of 3 years, as director of the Company such appointment taking effect from 25 July 2016 subject to the signing of the Terms of Appointment by Simon Brissenden.
- 4.2 The Board is further invited to consider and agree to proceeding with the recruitment and selection of candidates for the position of Independent Board Member. The number of positions available for consideration in this process will be subject to the Board's decision as requested in 4.1 above.

- 4.3 According to the Constitution, the recruitment of an Independent Board Member will be as determined by the Board. The Board has since delegated its powers of recruitment and selection to the Appointments & Remuneration Committee who has been granted the powers to identify and interview all potential Independent Board members; and make recommendations to the Board for their appointment based on the skills, qualities and experience which is required such members, under the current terms of reference of the Committee.
- 4.4 It is proposed that the Appointments & Remuneration Committee undertake the recruitment and selection process according to their delegated authorities and make recommendations to the Board.
- 4.5 The Board shall note that Residents (as defined under the Constitution of the Company) are not eligible to become Independent Board Members.

8. CONCLUSION

- 8.1. The Board is invited to consider the contents of this report and upon due consideration, agree to pass the resolutions on the first page of this report.

**THE ROYAL BOROUGH OF KENSINGTON & CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED
(the 'Company')**

**Minutes of a Confidential meeting of the Board of Directors ('Board') of the Company
held on 26 May 2016 from 6.30 pm
at 346 Kensington High Street, London W14 8NS**

PRESENT:

Resident Board Members	Fay Edwards Kush Kanodia Anne Duru Brendan Tracey Maria Escudero-Barbaza Mary Benjamin Deborah Price	- Chair
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Council-Nominated Board Members	Cllr. Maighread Condon - Simmonds Jeff Zitron	- Left at 8.22pm
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Independent Board Members	Simon Brissenden Peter Chapman
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APOLOGIES:

Tony Annis
Paula Fance
Cllr. Judith Blakeman
Anthony Preiskel

IN ATTENDANCE:

Robert Black	Chief Executive Officer
Barbara Matthews	Executive Director of Financial Services & ICT
Yvonne Birch	Executive Director of People & Performance
Sacha Jevans	Executive Director of Operations
Paul Mains	Chair, RD
Graham Webb	Managing Director, RD
Fola Kafidiya-Oke	Head of Governance & Company Secretary
Peter Maddison	Director of Assets and Regeneration
Rupa Bhola	Assistant Director of Financial Services
Janet Seward	Policy & Improvement Manager
Jonathan Reed	Chairman – Your Credit Union
Gill Petford	Executive Manager
Daniel Asamoah	- Minutes

1. NOTICE, APOLOGIES AND QUORUM

- 1.1 The Board noted that the notice of the meeting had been duly issued to the members of the Board entitled to receive notice and attend Board meetings.
- 1.2 The Board noted that apologies had been received from Tony Annis, Paula Fance, Cllr. Judith Blakeman and Anthony Preiskel.
- 1.3 The meeting was quorate according to the provisions of the Articles of Association of the Company.

2. DECLARATION OF INTEREST

- 2.1 Fay Edwards, Mary Benjamin, Cllr. Maighread Condon-Simmonds, Peter Chapman and Anne Duru declared an interest in the matter under consideration at Item 7 of the agenda, Credit Union Investment, as required under article 43.2 of the Constitution
- 2.2 The Board noted the declarations of interest and agreed that pursuant to article 43.2, the members who declared interests were not to participate in the discussion and voting under Item 7 of the agenda of the meeting.

3. MINUTES OF THE CONFIDENTIAL MEETING HELD ON 4 JANUARY 2016

- 3.1 The Board **RESOLVED TO** agree and approved the minutes of the confidential meeting held on 31 March 2016 as a true and accurate record of the meeting subject to the amendment of the time at Simon Brissenden left the meeting, to 8:30pm.

4. MATTERS ARISING

- 4.1 The Board considered the actions arising from the previous meetings:

Criteria for classifying board agenda items - the Board noted that the Company Secretary had revised the paper in the light of the comments made by the members of the Board at the last meeting. Peter Chapman expressed the opinion that since the Company was a membership organisation, the number of the items classed as 'Confidential' on the agenda should be minimal. Fola Kafidiya-Oke assured the Board that she had consulted with RBKC on their expectations around the classification of information belonging to it and it had been agreed that strategies, policies and project information seen and approved by RBKC could be marked 'Open' and any items such as financial information, and unapproved strategies and policies not would be marked 'Confidential' until seen and approved by RBKC for circulation.

- 4.2 The Board **NOTED** the updates on the matters arising log.

5. SUBSIDIARY BUSINESS PLAN AND REVISED FINANCIAL PLAN

- 5.1 Paul Mains (Chairman) and Graham Webb (Managing Director) of Kensington and Chelsea TMO Repairs Direct Limited (**RD**) presented a proposed 5-year Business Plan and a revised Financial plan for RD, to the Board.
- 5.2 Paul Mains gave an overview of the proposed Business Plan setting out the key priorities of RD for the next 5 years. He highlighted that the key strategic priorities were service delivery, business growth and profits. The revised Financial Plan highlighted the revenue growth projected by the implementation of the business plan.

- 5.3 Peter Chapman welcomed Paul Mains and Graham Webb. He questioned the reduction in the net surplus between the initial Financial Plan approved by the Board and the revised Financial Plan being presented. He also highlighted the fact that the total income of RD would rely on the 'other' income stream projected, if not, RD would end up with a significant deficit.
- Graham Webb explained that RD was seeking new sources of income from other markets (minor repairs and leasehold property) because of the threat to the income from RBKC and this would mitigate the risk of a shortfall in RBKC income in the future.
- 5.4 Jeff Zitron and Brenden Tracy questioned how RD intended to demonstrate value-for-money, and if RD was in danger of subsidising the cost of providing its services to external customers in order to maintain their business stream given the fact that the RBKC business stream was charged at overhead plus fixed costs plus variable costs.
- 5.5 Paul Mains clarified that value-for-money was not always based on the cheapest option but quality at a better price. Graham Webb stated that the introduction of a new business stream would always result in a loss however it was intended to monitor and account for each activity undertaken by RD and it was not expected that new business streams would be heavily subsidised by existing business streams. He further confirmed that RD would benchmark itself through the use of Housemark data for cost and service. Bi-annual audits would be undertaken to check quality and price.
- 5.7 Simon Brissenden questioned how the risk of losing business would be mitigated. Graham Webb responded by clarifying that the mitigation of such a risk would be ensuring that the contractual obligations of RD were met. He highlighted that the research work would commence following the Board approval and would result in outlining the risk mitigation methods.
- 5.8 The Board **RESOLVED** to agree and approve the:
- (i) RD Business Plan for 2016 to 2021, and
 - (ii) the revised Financial Plan, and 2016/17 Budget, for RD,
- pursuant to its rights under the Intragroup Agreement between the Company and RD.

6. CONTRACT APPROVAL – BUILDING INSTALLATION (REPAIRS AND MAINTENANCE) CONTRACT

- 6.1 Peter Maddison presented a proposal to award the contract for the building installation (repairs and maintenance) contract in respect of the properties managed by the Company, to Allied Protection Limited following a tender process. He informed the Board that the Company currently had arrangements with numerous contractors undertaking the works which resulted in fragmental services complicating compliance and report generation. The Board noted that amalgamation of the works in one contractor would ensure compliance with EU Regulations and demonstrate best value by ensuring consistent and uniformed service to residents.
- 6.2 The Board considered the report and upon due consideration, **RESOLVED TO:**
- (i) agree and approve the award of the contract for the Building Installations – Repairs and Maintenance of properties to Allied Protection Limited subject to (a) the satisfactory conclusion of a leaseholder consultation period; and (b) at the end of the mandatory “standstill period”;
 - (ii) approve the entry into a contract for the provision of services for the Building Installations – Repairs and Maintenance between the Company and Allied Protection Limited with effect from a date after the mandatory “standstill” period; and

- (iii) authorise any two Executive Directors, or an Executive Director and the Company Secretary to execute all and any contractual documents in respect of Building Installations (Repairs and Maintenance) by and between the Company and Allied Protection Limited for and on behalf of the Company.

6.3 Robert Black invited the Board to join him in congratulating Peter Maddison and his team for their hard work in creating nine new homes, and receiving a letter of commendation from Cllr. Nick Paget-Brown, the leader of RBKC on the implementation of the Grenfell Tower Project.

7. CREDIT UNION INVESTMENT

7.1 The Board considered a proposal presented by Jonathan Reed, Chairman of Your Credit Union, for the Company to grant a subordinated loan to the credit union. The report setting out the proposal was tabled at the meeting and it included the heads of terms for the grant of the subordinated loan.

7.2 The Board noted that Fay Edwards, Mary Benjamin, Cllr. Maighread Condon-Simmonds, Peter Chapman and Anne Duru were members of Your Credit Union and as a result, had declared their interest in respect of the subject matter. Following their declaration of interest, they were not taking part in the discussions and the decision on the matter.

7.3 Jonathan Read highlighted that Your Credit Union was the only credit union in UK that makes profits without receiving grants. It was mutually owned by its members who are its depositors. He stated that the grant of the subordination loan would allow the credit union make hundreds of thousands more of loans to members of the community through prudent and appropriate lending as opposed to payday lending and loan sharks.

7.4 Jeff Zitron wanted to know how many credit unions were in operation in the UK and their rate of insolvency. Jonathan Reed responded that there are 346 credit unions in the UK and explained that struggling credit unions are mostly taken over by financially sound unions through mergers and acquisitions.

7.5 Kush Kanodia asked whether the credit union's loans were secured loans and it was clarified that the loans granted were unsecured personal loans of an average of £2k each.

7.6 Barbara Matthews drew the attention of the Board to the background information which included a previous offer to subscribe to deferred shares in Your Credit Union. The proposal was not considered an attractive investment for the Company when considered by the Finance, Audit & Risk Committee so a proposal of a subordinated loan was made which upon review by the legal advisers of the Company, was considered to be a more attractive option for the Company. It was highlighted that the investment could not be solely considered as a financial-based decision, but from a social perspective particularly for the Company's residents and its employees.

7.7 The Board considered the heads of terms for the grant of the subordinated loan and it was clarified that the loan being granted was the only debt existing for Your Credit Union, and it would rank behind the members of the credit union. It was questioned whether the Company has consulted RBKC in making the decision to invest and it was clarified that there was no requirement or expectation to do so. It was further clarified that, in the event that there was any subordinated debt granted by Your Credit Union, the debt would rank parri passu with the loan granted by the Company.

- 7.8 The Board **RESOLVED TO**:
- (i) agree and approve the proposal to issue a subordinated loan facility to Your Credit Union of £100k for a 10-year period on the terms set out in the Heads of Terms set before the Board.
 - (ii) agree to delegate the authority to the Chief Executive, Executive Director of Financial Services & ICT and Company Secretary to negotiate and execute a subordinated loan facility agreement by and between the Company and Your Credit Union based on the terms set out in the Heads of Terms approved by the Board.

8. CORPORATE RISK MAP

- 8.1 Barbara Matthews presented the revised Corporate Risk Map 2016-17 which had been reviewed by the Finance, Audit and Risk Committee and recommended for approval by the Board.
- 8.2 Peter Chapman expressed his dissatisfaction that the risk “failure to obtain the capital programme funding to address the assets' needs” had been taken off the register during the review process. Barbara Matthews explained that the risk arising from a decision about the level of investment in the capital programme rested with RBKC. She added that the Company was responsible for managing the operational and reputational risk of managing properties which were not getting the optimal investment standard and still delivering the Company's obligations under the Management Agreement.
- 8.3 The Board agreed to acknowledge the risk of failing to obtain the capital programme funding by linking the risk “Loss of residents' confidence in the TMO” to the contingency that the capital programme was insufficient to maintain the investment in the properties. It was further agreed that the mitigating action would be that the Company would endeavour to influence the capital programme funding set by RBKC.
- 8.4 The Board **RESOLVED TO** adopt the Corporate Risk Map recommended to it by the Finance, Audit and Risk Committee subject to the inclusion of the additional wording agreed.

9. GROUP BUDGET MONITORING REPORT – MARCH 2016

- 9.1 The Board considered the financial update for the period to March 2016 which highlighted the following:
the Company
- the current projected surplus for the year was £36k, and surplus as at March 2016 was £36k.
 - the total income for March 2016 was £133k above budget which was due to monies received from RBKC for two Neighbourhood Support Officers and an increase in CAS income and other income.
 - staff costs were £9.53m against a budget of £9.52m, a negative variance of £10k.
- 9.2 the Subsidiary
- the current projected surplus for the year was £160k, and surplus as at March 2016 was £162k with a positive variance of £2k above projected surplus for the year.
 - actual income was £487k above budget.
 - actual staff costs were £218k below budget which was due to under establishment.
 - other costs were £703k above budget with increase in subcontractor costs due to urgency to complete outstanding jobs before year-end. The cost was being closely monitored and was expected to drop in the 2016/17 as per approved budget.

9.3 HRA

- the HRA saw a negative variance of £767vk in income after revision of the budget.
- there was also a drop in expenditure of £2.8m in the revised budget due to change in providers for major contractor works (and a key contractor for external works going in to liquidation during the year).
- the capital programme had an approved budget of £14m for year 2015/16 with a current forecast of £11.5m. Actual spend to the end of the year was £11.8m which is an overspend in the revised budget. The overspend would affect the 2016/17 budget
- tenant debt balance decreased by £186k due to work undertaken by the income team to ensure reduction in debt levels.
- there was an increase in overall leaseholder service charges and major works debts by £979k.

Kush Kanodia questioned the status of the implementation of the new Agresso financial system. Barbara Mathews explained that there were still ongoing issues with unallocated payments and RBKC had agreed to pay for the additional staff cost required by the Company to manage the problem. It was noted that RBKC had designated a senior employee to manage the project implementation. The Company had submitted a formal complaint to RBKC on the impact of the implementation issues.

9.4 The Board **NOTED** the report.

10. **TREASURY MANAGEMENT POLICY**

10.1 Barbara Matthews presented the treasury management which had been reviewed and recommended for approval by the Finance, Audit and Risk Committee. The Board noted that the Company had cash in the bank and been thinking of how to best utilise the cash. The Board also noted that the treasury management policy's objectives was to ensure that: there were adequate reserves; adequate and not excessive cash resources to ensure liquidity and; sound controls to avoid fraud and errors.

10.2 Brendan Tracey asked whether the company had any plans to invest profits and spare cash in property. The Board agreed to defer the discussions of investment opportunities to its Board Away Day in June.

10.3 The **Board RESOLVED TO** approve the revised Treasury Management Policy.

11. **ANNUAL AUDIT PLAN**

11.1 Barbara Matthew presented that annual audit plan which had been reviewed and recommended by the Finance, Audit and Risk Committee for approval.

11.2 The Board **RESOLVED TO** approve and adopt the Annual Audit Plan.

12. **BOARD FORWARD PLAN**

12.1 The Board **NOTED** the Board Forward Plan

MATTERS ARISING (Confidential Meeting)

NO.	MEETING DATE	MINUTE NUMBER	ACTION	BY WHOM	BY WHEN	UPDATE
1.	26/11/15	13.2	Provide measurable targets on the impact of the business plan in 2016	Yvonne Birch	29 Sept 2016	
2.	26/11/15	14.5	Present a report measuring the commerciality of the proposed cost model particularly in comparison to a comparable organisation.	Barbara Matthews	29 Sept 2016	To work with the new RD MD to review how commercial companies price contracts
7	31/03/2016	9.2	Adair Tower report on the conclusions, decisions and recommendations about lessons learn from the fire incident	Robert Black	24 Nov 2016	
8	31/03/2016	9.3	Business opportunities for KCTMO and the consequential group structure required (including tax efficiency)	Barbara Matthews	29 Sept 2016	

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“Company”)**

Confidential	
For Decision	
Board Meeting 6th July 2016	
Report title:	Draft Consolidated Financial Statements for the Period to 31 st March 2016
Authority for decision:	The Board is responsible for approving the financial statements of the company.
Recommendations:	<p>The Board is asked to consider the contents of this report and its appendices, and upon due consideration, pass resolutions in the form below:</p> <p>“The Board RESOLVED TO:</p> <ul style="list-style-type: none"> (i) agree and approve the Consolidated Financial Statements for the period ended 31st March 2016 and the Letter of Representation to the Auditors subject to the receipt of the following: <ul style="list-style-type: none"> a) a Letter of Representation from the Executive Team b) a Letter of Support from RBKC; and c) Board Members’ Statement of Disclosures, (ii) authorise any two directors of the Company to sign the Financial Statements and Letter of Representation for and on behalf of the Company, (iii) authorise the Company Secretary to issue a notice of the Annual General Meeting of the Company, to be held on 17th September 2016 at which the Financial Statements would be laid before the members of the Company; and (iv) authorise the Company Secretary to file the Financial Statements with the Registrar of Companies as required under the Companies Act 2006.”
Regulatory/legal requirements:	The Companies Act 2006 provides that the Company (including its subsidiary) shall file annual financial statements covering its activities over the period of its financial year.
Business Plan link:	N/A
Equality Impact Assessment/comment:	N/A

Resident consultation:	Not required
Resource implications/VFM statement:	None
Risk:	Where the Financial Statements of the Company and its subsidiary do not comply with the provisions of the Companies Act 2006, the Company may be in breach of its duties under the Companies Act 2006.
Appendices:	Appendix 1 – Consolidated Financial Statements for year ended 31 March 2016 Appendix 2 – Group Draft Audit Findings Report Appendix 3 – Draft letter of support from RBKC Appendix 4 – Board Member Statement of Disclosures Appendix 5 – Repairs Direct Financial Statements for the year ended 31 March 2016
Total number of pages including appendices:	103
Name, position and contact details of author:	Barbara Matthews, Executive Director of Financial Services & ICT, [REDACTED] bmatthews@kctmo.org.uk

1. Background

- 1.1 The draft Consolidated Financial Statements for the year ended 31st March 2016 is attached for consideration by the Board (Appendices 1). I will be making a presentation on the statements at the Board meeting. The Repairs Direct Financial Statements for the year ended 31st March 2016 which will be considered for approval by the board of Repairs Direct on 14 July 2016 is also attached for noting by the Board (Appendix 5)
- 1.2 The Board is also asked to consider the Final Audit Findings Report covering the Group (Appendices 2) provided by the Auditors, RSM UK Audit LLP.
- 1.3 The Group Finance, Audit and Risk Committee reviewed the financial statements and the Audit Findings Report and have recommended that the Board approved and sign the Consolidated Financial Statements and the Letter of Representation to the Auditors subject to the receipt of the documents listed below:
 - (i) a signed Letter of Representation from the Executive Team (as set out in the Audit Findings Report);
 - (ii) a Letter of Support from RBKC (Appendix 3); and
 - (iii) Board Members Statements of Disclosures (Appendix 4).

2. Accounts Preparation

- 2.1 The accounts have been prepared in accordance with:
 - UK Generally Accepted Accounting Principles, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”
 - Requirements of the Companies Act 2006
 - Historical Cost Convention
 - Going Concern
- 2.2 The consolidated financial statements have been prepared using accounting policies consistently applied as in prior years. The main policies are set out on page 18 of the financial statements and relate to:
 - Accounting Convention
 - First time adoption of FRS102
 - Going Concern
 - Consolidation
 - Goodwill
 - Investments
 - Tangible and Intangible fixed assets and depreciation
 - Leased assets
 - Retirement benefits
 - Financial instruments
 - Turnover and over operating income
 - Agency Arrangements
- 2.3 Adoption of the new financial reporting standard Financial Reporting Standard 102 (FRS 102) which came in to operation for the group in April 2015 required the comparative figures for 2015 to be restated to reflect the adjustments

required under the same standard. Note 23 on page 34 of the financial statements explains the adjustments made for First Time Adoption of FRS102.

- 2.4 As shown in the Consolidated Statement of Comprehensive Income the group made a loss after tax of £356k. As noted on page 3 of the TMO Audit Findings Report, it includes significant one-off items:

	£k
Loss before tax	(629)
Impact of FRS 17 Pension	807

Revised profit before tax	£178k

- 2.5 The FRS17 valuation of the pension scheme liabilities has resulted in a reduction in the group's pension liabilities from £9.37m at 31st March 2015 to £6.41m at 31st March 2016. Full details of the accounting for the Pension Fund are set out in note 20 on page 31 of the statements.
- 2.6 There is an additional note on page 35, note 24 related to Contingent Liability. The TMO signed an agreement with Thames Water in 2006 to supply properties with water and sewerage services. The company receives a commission to invoice and collect the charges from the tenants. To date the commission amounts to £1.6m. Further to the Jones v London Borough of Southwark (Southwark) High Court judgement, which judged that Southwark was acting as a water reseller and therefore the commission received should have been passed to the tenants as a discount against their charges. If this were to apply for the TMO a potential liability would arise from this activity. RBKC have undertaken to indemnify the TMO for the full amount should any liability arise.
- 2.7 The financial statements of Repairs Direct were prepared using the same accounting principles and conventions as for the group accounts. The accounting policies set out on page 7/8 of the statements are in accordance with group policies.
- 2.8 Repairs Direct were also required to adopt FRS102 and the First Time Adoption policy is shown on page 8, with note 15 on page 13 showing the adjustments made.
- 2.6 Repairs Direct made a profit after tax of £100k in the year to 31st March 2016. This is after charging for the notional interest on the loan from the TMO of £33k.
- 2.7 Repairs Direct operates a defined contribution scheme and the charge in the accounts is equal to the contributions payable. No further provision is required.

3 Assurance

- 3.1 The following assurance should be considered by the Board:

- 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.

3.3 Internal Audit Reports

During the year 14 final audit reports were received with either Substantial (9) or Satisfactory (5) rating.

The following reports were received during the year:

Name of Audit	Assurance Level
TMO Corporate Accounts	Substantial
TMO Housing Revenue Accounting (HRA)	Substantial
Homeownership – service charges and consultation	Substantial
Homeownership – Income and debt recovery	Substantial
Rent income	Satisfactory
Cleaning contract	Satisfactory
Lift maintenance	Substantial
Asset management	Substantial
Health and safety	Substantial
Risk management	Substantial
IT network security	Satisfactory
Homeownership – major works consultation (2014/15 audit)	Substantial
Procurement governance (2014/15 audit)	Satisfactory
Corporate governance (2014/15 audit)	Satisfactory

3.4 External Audit Findings Report

The Auditors will present their report at the meeting. The Audit Findings Report is attached (Appendices 2)

3.5 Group Letter of Representation from the Executive Team

This letter will be signed by the Executive Team and will mirror the representation letter required from the Board. A draft is included in Appendix A of the TMO Draft Audit Findings Report. The final letter will be signed by the Executive in the week commencing 25th July.

3.6 Letter of Statement of disclosure from Board members

This letter follows on from the letters signed by Board Members in previous years. A draft, including the explanatory letter from the Company Secretary is attached as Appendix 4. The FAR Committee recommends that all Board Members sign the statement.

3.7 Letter of Support from RBKC

This letter (Appendix 3) is provided by RBKC and ties into the related parties note 20 in the financial statements, and will this year include indemnity for any liability that might arise from the contingent liability set out in the financial statements. It will be signed in the week commencing 25th July 2016.

4 Recommendations

4.1 The recommendations are set out in the cover sheet to this report but in summary the Board is asked to pass resolutions as below:

“The Board **RESOLVED TO:**

- (i) agree and approve the Consolidated Financial Statements for the period ended 31st March 2016 and the Letter of Representation to the Auditors subject to the receipt of the following:
 - a. a Letter of Representation from the Executive Team;
 - b. a Letter of Support from RBKC; and
 - c. Board Members’ Statement of Disclosures.
- (ii) authorise any two directors of the Company to sign the Financial Statements and Letter of Representation for and on behalf of the Company.
- (iii) authorise the Company Secretary to issue a notice of the Annual General Meeting of the Company, to be held on 17th September 2016 at which the Financial Statements would be laid before the members of the Company.
- (iv) authorise the Company Secretary to file the Financial Statements with the Registrar of Companies as required under the Companies Act 2006.”

**The Royal Borough of Kensington and Chelsea
Tenant Management Organisation Limited**

REPORT AND GROUP FINANCIAL STATEMENTS

For the year ended 31 March 2016

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ADMINISTRATIVE INFORMATION

The current directors, executive management and company secretary are listed below and changes to those who served during the period since 31 March 2015 are set out in the Report of the Directors.

BOARD OF DIRECTORS

All directors of the company hold non-executive roles.

Ms Fay Edwards BEM - Chair	Resident Board Member
Mr Tony Annis - Vice Chair	Resident Board Member
Ms Mary Benjamin	Resident Board Member
Ms Anne Duru	Resident Board Member
■ Maria Escudero-	Resident Board Member
Mr Kush Kanodia - Vice Chair	Resident Board Member
Ms Deborah Price	Resident Board Member
Mr Brendan Tracey	Resident Board Member
Councillor Maighread Condon-Simmonds	Council Nominated Board Member
Councillor Judith	Council Nominated Board Member
Ms Paula Fance	Council Nominated Board Member
Mr Jeff Zitron	Council Nominated Board Member
Mr Simon Brissenden	Independent Board
Mr Peter Chapman	Independent Board
Mr Anthony Preiskel	Independent Board

SENIOR MANAGEMENT

Mr R Black	Chief Executive
■ B Matthews FCMA	Executive Director of Financial Services & ICT
Ms S Jevans MCIH	Executive Director of Operations
Ms Y Birch	Executive Director of People and Performance

COMPANY SECRETARY

■ Fola Kafidiya-Oke FCIS

REGISTERED OFFICE	AUDITOR	BANKERS	SOLICITORS
Network Hub 292a Kensal Road London W10 5BE	RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) St Philips Point Temple Row Birmingham B2 5AF	Lloyds Bank P.O. Box 17328 11-15 Monument Street London EC3V 9JA	Devonshires Solicitors 30 Finsbury London EC2M 7DT

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2016

REVIEW OF THE BUSINESS

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited (KCTMO) is a Company Limited by Guarantee meaning that profits made are not distributed to its members. The Company is owned by its members, who are residents of the Royal Borough of Kensington & Chelsea's (RBKC) housing stock. During the year the Company increased its membership by 500 new members and has a total of 5,019 (2015: 4,519). The stock consists of around 6,900 rentable homes and over 2,500 leasehold properties.

The Company manages the RBKC housing under the 'Right to Manage' legislation and its roles and responsibilities are set in a Modular Management Agreement between the Company and RBKC. It collects rents and other revenues and controls expenditure as agent on behalf of the RBKC through the RBKC Housing Revenue Account (HRA). These transactions pass through the HRA and not through the Company. Income and expenditure is only included in these accounts where the company is acting as principal.

The group's principal activity during 2015/16 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. The Group's subsidiary, Kensington & Chelsea TMO Repairs Direct Ltd (Repairs Direct) delivers the responsive repair service to the housing stock.

This is the company's 20th year of trading having taken over the management of the homes of tenants and leaseholders from the RBKC on 1 April 1996.

These accounts have been prepared in accordance with the new financial reporting standard Financial Reporting Standard 102 (FRS 102) which came in to operation for the Group in April 2015 and the comparative figures for 2015 have been restated to reflect the adjustments required under the same standard.

In 2015/16 the group made a profit on operations of £178k (2015: £59k) before pension adjustments and tax. The surplus on trading operations for the company before pension adjustments and tax was £55k (2015: £52k).

The Company, in conjunction with RBKC produces an Annual Report to Tenants, as required in the regulatory National Standards for Social Housing. This sets out in detail the management and other activities carried out on behalf of the Council and the HRA. This report will be found on KCTMO and RBKC web sites, summarised in the Link magazine sent to all residents, and be available on request from KCTMO.

The main highlights during the year were:

- Hidden Homes

KCTMO continued to develop a programme of new homes with RBKC. During the year 3 new 2-bedroom units were completed in unused office space in Greaves Tower, World's End Estate, in Chelsea. Councillor Feilding-Mellen, Deputy Leader and Cabinet Member for Housing, Property and Regeneration, Fay Edwards, Chair of the Board and the Robert Black, Chief Executive, launched the three new homes in October 2015. The properties were built to 'Lifetime Homes' specification, a set of principles which focus on enhanced accessibility and design features that make the home flexible enough to meet whatever comes along in life, with the goal for the properties to always meet the needs of inhabitants. The properties were let to two applicants from the Homeless Register and one tenant who transferred on medical grounds.

As part of the £10m investment to refurbish Grenfell Tower, part of the Lancaster West Estate in North Kensington, 9 much needed new homes, all providing a good level of accessibility for disabled people, have been created from unused spaces as part of the refurbishment.

Three 3-bedroom homes are also under development at Holmefield House in the North of the Borough and are due for completion in January 2017.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2016

- Capital Programme

The £11.8m capital investment programme of works was successfully completed in the year, £7.5m being spent on internal works (kitchens, bathrooms electrics and heating), £900k on adaptations works and £160k to refurbish a number of community rooms to provide accessible places for residents and others to meet.

During the year £6.5m of the £10m total investment completed the refurbishment of Grenfell Tower in North Kensington, a block of 120 homes. The large scale works included the installation of insulated exterior cladding, new double glazed windows and a new communal heating system. All of this will greatly enhance the energy efficiency of the building. A new communal entrance has been created and there are new facilities for returning tenants, Grenfell Under 3s Nursery and Dale Youth Amateur Boxing Club. Although the project was delayed because two sub-contractors went into liquidation; residents were kept informed of progress with regular newsletters and meetings. There were also drop-in demonstrations for the new heating and window systems. The project has been delivered within budget.

- Asset Management

The programme to identify unused basement car parking facilities for alternative use continued in 2015/16.

The car park at Lowerwood Court, Westbourne Park Road in Notting Hill has been identified as a site suitable to generate additional income for the HRA, by leasing the entire 33,000 sq. ft. car park for conversion to workspace office with auxiliary café and exhibition spaces, on a 20 year lease. The lessee is to invest over £6m in fitting out the site and is to further provide an enterprise development programme in conjunction with RBKC Economic Development team and KCTMO Resident Engagement team.

- Adair Tower fire

In October 2015 a fire broke out in a third floor flat in Adair Tower, a 14 storey block of 78 flats in North Kensington. The fire was found to be as a result of arson. A number of residents suffered smoke related injuries but were released from hospital on the same day. Residents in the flat on the same floor as the fire were decanted whilst work was completed on their flats, all residents returned in early 2016 or were rehoused else where in the Borough.

As a result of an audit following the fire, the London Fire Brigade issued an Enforcement Notice covering the requirement to provide self closing devices on all flat front doors and to improve fire safety in the escape staircases. The KCTMO has actioned the works required as a result of the Notice with all due to be completed by September 2016.

The London Fire Brigade also issued an Enforcement Notice with the same requirements for Hazelwood Tower, located alongside Adair Tower. The two towers were built to the same design. The works required for Hazelwood Tower are being actioned in parallel to the Adair Tower works.

- Parking Policy & Enforcement Services

The Company approved a new parking policy to ensure management arrangements are standardised and a consistent and transparent service is provided. This operational improvement was essential following the change in legislation banning the clamping and towing of vehicles on private land. In conjunction with RBKC, the Company implemented the first borough wide Traffic Management Order. Following surveys of all parking areas new signage and lineage has been put in place and the Traffic Management Orders have been granted. Enforcement by RPKC parking officials has now begun on the estates.

- Rent Arrears

Rent collection during the year was severely impeded by the introduction of RBKC's new finance system, with tenants' payments often being misallocated. Current Tenant rent arrears ended the year above target at just over £1m, c.7 weeks arrears.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2016

- Home Ownership

Despite the problems with RBKC's new finance system, Home ownership again exceeded the collection targets for both service charge and major works. As at 31st March 2016 service charge debt was £142k and major works debt £1,151k. The overall impact of the change in RBKC finance system and continued high collection rates is that the Housing Revenue Account debt has only increased by £252k in the financial year bringing it to £3.77m.

- Voids

The void turn-around period for general relets was reduced to 15.76 days in quarter 4, this is in the upper quartile for London ALMO and Local Authorities. The first quarter of the year saw below target performance which improved steadily during the year to end with the average for the year being 4.31 days below target at 18.69 days. The number of voids peak of 63 available properties in April 2015 reduced to 50 available at 31st March 2016.

- Resident Engagement

The fourth series of Get on Board Roadshows under the banner 'Get Wise' kicked off with its first event on 18 June 2015. The theme of this new series of Roadshows with its focus on employment & training, welfare benefits and money management, has been extended to include health & wellbeing. KCMO welcomed a number of new health partners including Turning Point Health Trainers and NW London Clinical Commissioning Group.

As in previous Roadshows, KCTMO continues to be supported by more than 25 local service providers and agencies. Additional services at the Get Wise events included the police who provided free identity marking for cycles, and the Fire Brigade giving advice on fire safety.

To improve the experience of residents attending these events a new layout was introduced in the form of zoning. The Get Wise events will consist of three zones – an employment & training; health & wellbeing and, finance zones. A total of 329 residents attended the two Roadshow events. KCMO held its most successful Residents' Conference in September 2015 attracting a total of 450 residents, including 30 residents engaged through the KCTMO Communities Outreach Project.

KCTMO Communities Outreach Project continues to provide a valuable service to BAME residents. As at March 2016 the project had engaged with more than 350 residents across the borough - the geographical area of the Project being widened to include the World's End area. As a result of the Project, more than 30 BAME residents now engage directly with the TMO. Due to its success, the TMO has agreed to extend the project into 2016/17.

The Youth Engagement Project "YEP" continues to go from strength to strength. As at March 2016 more than 300 young people had registered to join the YEP. The 'Up YourGame' sports programme (in partnership with Chelsea Football Club) was again successfully delivered in the north and south of the borough attracting over 300 young people. A successful 'girls only' football group has also been established as part of the sports project. In addition to the sports programme, the YEP also delivered a Bikeability Level 1 training programme in October which was attended by 19 young people. The programme enabled young people to learn safe practices and equip them with the skills to ride their bikes safely on road. Arrangements are being made to run a Bikeability Level 2 programme in 2016/17.

- Resident representation

Resident representation has been getting stronger, with nearly 59 members attending the AGM (which took place after from the conference) in September 2015. Including the online votes, 724 participated in voting – a 33% decrease on 2014 which was a record at 1,089 (in 2009, only 91 members took part). The reduced voting may have been as a result of the requirement for members to vote on the election for new Board members in July followed by a further voting process in September on the AGM matters. For 2016 it is proposed to combine the two voting requirements into one to simplify the process for members.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2016

- Customer Relationship Management (CRM) project

During the year staff from across the whole Group worked together on a major business project to configure and implement a CRM system which included workshops to develop improved business processes for a number of key activities and training for all staff. The CRM system will provide residents with a better response to their enquiries and issues as all staff are able to more easily access information needed to respond and track internal activity through process workflows. The system went live in May 2016 with a second phase including the development of another 40+ workflows on target to complete in August 2016.

- Credit Union

KCTMO has continued to support the Kensington & Chelsea Credit Union during the year. The credit union operates rent free from out of the KCTMO offices. In June 2016 the Board agreed further support with a 10-year loan of £100k to enable the credit to expand its services.

Kensington & Chelsea TMO Repairs Direct Limited

The KCTMO subsidiary Kensington & Chelsea TMO Repairs Direct Limited set up to deliver a high quality responsive repairs and voids service to the RBKC properties that the KCTMO manages, in its third year of trading returned an operating profit of £162k and made a repayment on its loan from KCTMO of £101k. The investment in Repairs Direct is planned to be repaid to KCTMO over 5 years.

In 2015/16 Repairs Direct delivered a turnover of £6.1m delivering 20,389 repairs and 405 voids works to 9,862 homes.

Operational performance including Key Performance Indicator (KPI) results and quality measures are showing significant improvement with robust processes and procedures now embedded in daily activities providing a sound base for future growth of this business.

Test of Opinion

As part of the Modular Management Agreement with RBKC KCTMO is required to carry out a test of opinion of all tenants and leaseholders every 5 years. UK Engage was appointed to carry out this process during 2013. The key findings of the Test of Opinion were:

- 3,420 residents, including 2,717 non-members took part. This is an increase of 1,885 over the 2006 Test of Opinion
- 86% of residents voted in favour of the KCTMO continuing to manage their homes.
- 77% of residents were satisfied with the quality of their Home
- 86% of residents were satisfied with their Neighbourhood as a place to live
- 75% of residents were satisfied with the service provided by the KCTMO.

This is the highest level of satisfaction with KCTMO since it started and is an increase of 19% over the 56% achieved in 2008. The Leaseholder satisfaction increased from 38% to 60% over the same period.

RBKC Performance Reviews

Under the terms of the Modular Management Agreement, RBKC carries out a Five Year Review of KCTMO's performance within the Modular Management Agreement. The last of which was in 2013/14 and noted:

- KCTMO is providing a good service with excellent prospects of improvement
- They are working closely with the Borough to meet the many challenges facing social housing in the next few years.
- The Board and Executive have a good understanding of the important decisions that need to be made in the next few years.
- The review found that the KCTMO is meeting the objectives set out in the Modular Management Agreement. The agreement should be renewed.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2016

During 2015/16, both the mid-year and end of year reviews of KCTMO by RBKC were positive. The mid-year report for 2015/16 noted good performance for operational KPIs; relet times, repairs and leasehold collection rates. Issues with the RBKC's finance system, Agresso impacted on rent collection rates throughout the year. Commencement of the capital programme was delayed awaiting the outcome of the hearing from the Leasehold Valuation Tribunal on the procurement framework.

The Company continues to work to meet the strategic aims of the Council; preparing for further welfare reforms and the introduction of Universal Credit, delivering the capital programme using the new procurement framework, and delivery on a number of important health and safety issues. There has also been a focus on increasing the commercial income with the implementation of the parking review and taking a proactive approach to asset management with RBKC on both disposals and the introduction of intermediate rented housing.

Internal audit across the group carried out in 2015/16 by RBKC's audit team resulted in 9 substantial assurance ratings, for audits covering corporate and HRA accounting, health and safety, homeownership service charges consultation, major works consultation and income recovery, lift maintenance, asset management and risk management, and 6 satisfactory assurance ratings, for audits covering rent income recovery, housing management, cleaning contract, IT network security, procurement governance and corporate governance.

The Board were pleased that the leader of the Council again attended the Board's away day in June 2016.

RISKS AND UNCERTAINTIES

The main risks to the Group are:

- A resolution is required to be voted on annually at the Annual General Meeting 'That KCTMO wishes to continue to manage the Royal Borough's residential property under the terms of the Management Agreement with the Royal Borough dated 26 November 2015.'
- Every 5 years a consultation, through ballot or questionnaire, is to be undertaken with all tenants and leaseholders as to whether the management agreement should continue. This was undertaken in 2013/14 and 86% voted for continuation.
- In excess of 95% of the Group's income is derived from agreements with RBKC, including the Modular Management Agreement, Community Alarm Service and the responsive repairs service with Repairs Direct. The amounts under these agreements are subject to annual budgetary review. Parts of the Older Persons services, including the Community Alarm Service, are to be retendered as a part of the Tri-Borough arrangements with the Councils in Westminster and Hammersmith and Fulham.
- The commencement of the provision of the responsive repairs through Repairs Direct in September 2013 has increased the Group staff levels by over 25% and turnover by approximately 45%. Repairs Direct now in its third year of trading reported an operating profit of £162k. Repairs Direct has the continued support of the Group and RBKC.

RESULTS

The group's trading loss for the year after taxation was £356k (2015: £419k). Included in these results is a profit of £101k (2015: loss £7k) earned by Kensington and Chelsea TMO Repairs Direct Limited during the year.

FUTURE DEVELOPMENTS

The Capital programme agreed with RBKC includes a £1.7m investment to refurbish Trellick Tower in North Kensington, an iconic building commissioned in 1966 and completed in 1972 and Grade 2 listed. The programme also includes £10.8m of external works some of which was delayed from 2015 awaiting the Upper Tribunal decision on the use of frameworks. The Hidden Homes programme continues and includes development of a 1-bed flat at Holmefield House, Golborne Road in Kensal which is planned to start later in 2016, and feasibilities are being prepared for 3 further properties on sites across the Borough.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

STRATEGIC REPORT

Year ended 31 March 2016

New management in Repairs Direct, including the newly appointed Managing Director together with the recently appointed Chair of the Board of Repairs Direct have prepared an ambitious 5-year Business and Financial Plan to 2021 outlining plans to improve and expand existing services, with in the latter years of the Plan expansion into new markets and service areas.

KEY PERFORMANCE INDICATORS

KCTMO produces a suite of KPIs relating to its activities under the Modular Management Agreement. The full suite is reported to the KCTMO Board and those specified in the Management Agreement are reported to the RBKC. The transactions in these financial statements do not form a part of the above KPIs.

KCTMO receives a management fee negotiated annually with RBKC and has developed its management capacity to operate within this amount with a small surplus. It has no other financial KPIs.

This report was approved by the Board on 20 July 2016.

 Fola Kafidiya-Oke FCIS
Company Secretary

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2016

BOARD MEMBERS

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

The Board consists of up to 15 Board Members, made up of eight Resident board members, four Council-nominated board members and three independent board members (who shall not be residents or employees of the Council). The Resident Board Members are elected by the Members of TMO. Under the TMO's constitution, the board members are appointed for a term of three years and may be re-elected or re-appointed to a maximum overall length of nine years of service. There were 15 members on the Board at the end of the year.

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

Resident Board Members

Mr Mary Nejamin	Re-appointed	26/09/2015
■■■■ Maria Escudero-Barbaza	Appointed	26/09/2015
Mr Tony Annis	Re-appointed	26/09/2015

Senior Management

Mr Anthony Parkes FCA	Retired	03/06/2015
■■■■ Barbara Matthews FCMA	Appointed	03/06/2015

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

AUDITOR

RSM UK Audit LLP (formerly 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 group.

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 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 articles of association is limited to £1 per member of the company.

This report was approved by the Board on 20 July 2016

■■■■ Fola Kafidiya-Oke FCIS
Company Secretary

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

REPORT OF THE DIRECTORS

Year ended 31 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations. 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 group and the company and of the profit or loss of the group 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. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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.

We have audited the group and parent company financial statements (the "financial statements") on pages 11 to 35. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

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 9, 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2016 and of the group's 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 Strategic Report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

STEPHANIE WARBOYS (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (formerly BAKER TILLY UK AUDIT LLP), Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 £	2015 £
TURNOVER	2	17,617,792	17,001,904
Cost of sales		(4,590,976)	(4,475,250)
GROSS PROFIT		<u>13,026,816</u>	<u>12,526,654</u>
Administrative expenses		(14,961,626)	(13,904,739)
Other operating income		1,595,665	1,294,389
OPERATING LOSS		<u>(339,145)</u>	<u>(83,696)</u>
Interest payable and similar charges	3	(290,000)	(264,000)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>(629,145)</u>	<u>(347,696)</u>
Taxation	6	272,794	(71,302)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND (LOSS) FOR THE FINANCIAL YEAR		<u><u>(356,351)</u></u>	<u><u>(418,998)</u></u>
OTHER COMPREHENSIVE INCOME			
Actuarial gains/(losses) on the defined benefit pension scheme	20	3,769,000	(3,147,000)
Deferred tax on actuarial gain on defined benefit pension scheme		1,008,180	-
		<u>4,777,180</u>	<u>(3,147,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>4,420,829</u></u>	<u><u>(3,565,999)</u></u>

The notes on pages 22 to 35 form part of these financial statements.

The operating loss for the year arises from the Group's continuing operations.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED BALANCE SHEET

As at 31 March 2016

Company Number: 3048135

	Notes	£	2016 £	£	2015 £
FIXED ASSETS					
Goodwill	7		15,845		22,183
Intangible assets	8		277,362		382,412
Tangible assets	9		755,140		913,836
			<u>1,048,347</u>		<u>1,318,431</u>
CURRENT ASSETS					
Stocks	11	6,833		6,833	
Debtors within one year	12	1,290,937		1,616,829	
Debtors after one year	12	1,245,398		-	
Cash at bank and in hand		<u>1,849,538</u>		<u>2,666,004</u>	
		4,392,706		4,289,666	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	13	<u>(2,002,092)</u>		<u>(3,617,059)</u>	
NET CURRENT ASSETS			2,390,614		672,607
			<u>3,438,961</u>		<u>1,991,038</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
Provision for liabilities	15		(5,960)		(16,866)
			<u>3,433,001</u>		<u>1,974,172</u>
NET ASSETS EXCLUDING PENSION LIABILITY					
Defined benefit pension scheme liability	20		(6,408,000)		(9,370,000)
			<u>(2,974,999)</u>		<u>(7,395,828)</u>
NET LIABILITIES INCLUDING PENSION LIABILITY					
CAPITAL AND RESERVES					
Retained earnings	17		2,279,561		1,974,172
Pension reserve	17		<u>(5,254,560)</u>		<u>(9,370,000)</u>
Members' funds			<u>(2,974,999)</u>		<u>(7,395,828)</u>

As disclosed in note 16, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 11 to 35 were approved and authorised for issue by the board on 20 July 2016 and signed on its behalf by:

Name:
Director

Name:
Director

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

COMPANY BALANCE SHEET

As at 31 March 2016

	Notes	2016	2015
		£	£
FIXED ASSETS			
Intangible assets	8	123,479	161,603
Tangible assets	9	729,135	878,073
Investment in Subsidiary Undertaking	10	623,381	691,789
		<u>1,475,995</u>	<u>1,731,465</u>
CURRENT ASSETS			
Debtors within one year	12	717,821	717,078
Debtors after one year	12	1,245,398	-
Cash at bank and in hand		<u>1,679,117</u>	<u>2,352,186</u>
		<u>3,642,336</u>	<u>3,069,264</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	<u>(1,608,598)</u>	<u>(2,655,445)</u>
NET CURRENT ASSETS		2,033,738	413,819
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,509,733</u>	<u>2,145,284</u>
NET ASSETS EXCLUDING PENSION LIABILITY		3,509,733	2,145,284
Defined benefit pension scheme liability	20	(6,408,000)	(9,370,000)
NET LIABILITIES INCLUDING PENSION LIABILITY		<u>(2,898,267)</u>	<u>(7,224,716)</u>
CAPITAL AND RESERVES			
Retained earnings	17	2,356,293	2,145,284
Pension reserve	17	<u>(5,254,560)</u>	<u>(9,370,000)</u>
Members' funds		<u>(2,898,267)</u>	<u>(7,224,716)</u>

As disclosed in note 16, members derive no financial interest from their shareholding and accordingly all reserves are classed as non-equity.

The financial statements on pages 11 to 35 were approved and authorised for issue by the board on 20 July 2016 and signed on its behalf by:

Name:
Director

Name:
Director

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	<i>Notes</i>	Pension Reserve £	Retained Earnings £	Total £
BALANCE AT 1 APRIL 2014		(5,816,000)	1,986,170	(3,829,830)
Loss for the year		-	(418,998)	(418,998)
Other comprehensive income, net of tax:-				
Transfer		(407,000)	407,000	-
Actuarial losses on defined benefit plans	20	(3,147,000)	-	(3,147,000)
TOTAL COMPREHENSIVE INCOME/(EXPENDITURE) FOR THE YEAR		(3,554,000)	(11,998)	(3,565,998)
BALANCE AT 31 MARCH 2015		(9,370,000)	1,974,172	(7,395,828)
Loss for the year		-	(356,351)	(356,351)
Other comprehensive income, net of tax:-				
Transfer		(661,740)	661,740	-
Actuarial gains on defined benefit plans	20	3,769,000	-	3,769,000
Deferred tax on actuarial gain on defined benefit pension scheme		1,008,180	-	1,008,180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,115,440	305,389	4,420,829
BALANCE AT 31 MARCH 2016		(5,254,560)	2,279,561	(2,974,999)

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Notes	Pension Reserve £	Retained Earnings £	Total £
BALANCE AT 1 APRIL 2014		(5,816,000)	2,144,137	(3,671,863)
Loss for the year		-	(405,853)	(405,853)
Other comprehensive income, net of tax:-				
Transfer		(407,000)	407,000	-
Actuarial losses on defined benefit plans	20	(3,147,000)	-	(3,147,000)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,554,000)	1,147	(3,552,853)
BALANCE AT 31 MARCH 2015		(9,370,000)	2,145,284	(7,224,716)
Loss for the year		-	(450,731)	(450,731)
Other comprehensive income, net of tax:-				
Transfer		(661,740)	661,740	-
Actuarial gains on defined benefit plans	20	3,769,000	-	3,769,000
Deferred tax on actuarial gain on defined benefit pension scheme		1,008,180	-	1,008,180
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,115,440	211,009	4,326,449
BALANCE AT 31 MARCH 2016		(5,254,560)	2,356,293	(2,898,267)

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 £	2015 £
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	A)	(662,041)	2,072,967
Income taxes paid		<u>(14,350)</u>	<u>(28,086)</u>
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		<u><u>(676,391)</u></u>	<u><u>2,044,881</u></u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(95,095)	(107,333)
Purchase of intangible fixed assets		<u>(44,980)</u>	<u>-</u>
NET CASH FLOW USED IN INVESTING ACTIVITIES		(140,075)	(107,333)
NET (DECREASE) / INCREASE IN CASH IN THE YEAR		<u><u>(816,466)</u></u>	<u><u>1,937,548</u></u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,666,004	728,456
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>1,849,538</u></u>	<u><u>2,666,004</u></u>

A) RECONCILIATION OF LOSS AFTER TAX TO NET CASH (USED IN)/GENERATED FROM OPERATIONS

	2016 £	2015 £
Loss after tax	(356,351)	(418,998)
Depreciation and amortisation	410,159	445,377
Interest receivable	290,000	264,000
Taxation	(272,794)	71,302
Defined benefit pension scheme	517,000	143,000
Operating cash flows before movements in working capital	<u><u>588,014</u></u>	<u><u>504,681</u></u>
Decrease in debtors	347,791	445,244
(Decrease)/Increase in creditors	(1,597,846)	1,107,732
Decrease in stocks	-	15,310
Cash (used in)/generated from operations	<u><u>(662,041)</u></u>	<u><u>2,072,967</u></u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 £	2015 £
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	A)	(619,698)	1,778,725
Income taxes paid		<u>(14,350)</u>	<u>(28,087)</u>
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		<u><u>(634,048)</u></u>	<u><u>1,750,638</u></u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(95,095)	(106,311)
Purchase of intangible fixed assets		(44,980)	-
Repayment of loan from subsidiary		101,054	58,253
		<u></u>	<u></u>
NET CASH FLOW USED IN INVESTING ACTIVITIES		(39,021)	(48,058)
NET (DECREASE) / INCREASE IN CASH IN THE YEAR		<u><u>(673,069)</u></u>	<u><u>1,702,580</u></u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,352,186	649,606
		<u></u>	<u></u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>1,679,117</u></u>	<u><u>2,352,186</u></u>
A) RECONCILIATION OF LOSS AFTER TAX TO NET CASH (USED IN)/GENERATED FROM OPERATIONS			
		2016 £	2015 £
Loss after tax		(450,731)	(405,853)
Depreciation and amortisation		327,137	362,385
Interest payable		290,000	264,000
Interest receivable		(32,646)	(34,096)
Taxation		(301,612)	50,583
Defined benefit pension scheme		517,000	143,000
		<u></u>	<u></u>
Operating cash flows before movements in working capital		<u><u>349,148</u></u>	<u><u>380,019</u></u>
Decrease in debtors		21,156	88,839
Decrease/Increase in creditors		(990,002)	1,309,867
		<u></u>	<u></u>
Cash (used in)/generated from operations		<u><u>(619,698)</u></u>	<u><u>1,778,725</u></u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2016

GENERAL INFORMATION

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited (“the Company”) is a limited company domiciled and incorporated in England.

The address of the Company’s registered office and principal place of business is stated on the Administrative Information page. The Group consists of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and its subsidiary Kensington and Chelsea TMO Repairs Direct Limited.

The Company’s and the Group’s principal activities and the nature of the Company’s operations and the Group’s operations are given in the Strategic Report and the Directors’ Report.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention, modified to include certain financial instruments at fair value.

Monetary amounts in these financial statements are rounded to the nearest whole £1, except where otherwise indicated.

GOING CONCERN

The accounts have been prepared on the going concern basis. The group has retained earnings of £2,280K and is budgeted to breakeven for the coming year before adjustment for Pension Scheme Liability. The cash at bank is £1,850K and there are no borrowings. The Royal Borough Kensington & Chelsea has confirmed the continuation of the management agreement.

FIRST TIME ADOPTION OF FRS 102

These consolidated and company financial statements are the first consolidated and company financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (FRS 102). The consolidated and company financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 ‘Transition to this FRS’. Adjustments are recognised directly in retained earnings at the transition date.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company’s loss for the year and total comprehensive income for the year were £450,731 (2015: £405,853) and £4,326,449 (2015: £3,552,853), respectively.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2016

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). All financial statements are made up to 31 March 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

FUNCTIONAL AND PRESENTATIONAL CURRENCIES

The consolidated financial statements are presented in sterling which is also the functional currency of the Group and Company.

GOODWILL

Goodwill is capitalised and written off evenly over 5 years as in the opinion of the directors, this represents the period over which the goodwill is expected to give rise to economic benefits.

FIXED ASSET INVESTMENTS

In the accounts of the company the interest in its subsidiary has been initially measured at cost and subsequently measured at cost less any accumulated impairment losses. Investments are assessed for impairment at each reporting date. Any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Office fit out	Lower of lease term or 10 years
Office furniture	20%
Computer and office equipment	33%
Leasehold improvement	Lower of lease term or 10 years

INTANGIBLE FIXED ASSETS (OTHER THAN GOODWILL)

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Electronic data management system & Open Contractor Software	20%
--	-----

Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2016

STOCKS

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell.

At each reporting date, the Group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell, is recognised as an impairment loss in profit or loss.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income or expenses from subsidiaries, that will be assessed to or allow for tax in a future period except where the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

LEASES

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

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or are capitalised as an intangible fixed asset or a tangible fixed asset.

Employees are entitled to carry forward up to 5 days of any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

RETIREMENT BENEFITS

Defined contribution plans

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2016

Defined benefit plans

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method.

Liability

The net defined benefit liability represents the present value of the defined benefit obligation minus the fair value of plan assets out of which obligations are to be settled. Any asset resulting from this calculation is limited to the present value of available refunds or reductions in future contributions to the plan.

The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms and currencies consistent with those of the benefit obligations.

Gains/Losses

Gains or losses recognised in profit or loss:

- The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost.
- The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.
- Net interest on the net defined benefit asset/liability comprises the interest cost on the defined benefit obligation and interest income on the plan assets, calculated by multiplying the fair value of the plan assets at the beginning of the period by the rate used to discount the benefit obligations.

Gains or losses recognised in other comprehensive income:

- Actuarial gains and losses.
- The difference between the interest income on the plan assets and the actual return on the plan assets.

FINANCIAL INSTRUMENTS

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument, and are offset only when the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

Trade debtors

Trade debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Other debtors

Other debtors are initially measured at the transaction price and are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Loans

All loans will be recognised initially at fair value, net of transaction costs incurred. Loans are subsequently carried at fair value through profit or loss. Fair value has been determined through the present value of future cash flows.

Financial liabilities and equity

Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

ACCOUNTING POLICIES

For the year ended 31 March 2016

Equity instruments

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

Trade creditors

Trade creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Other creditors

Other creditors are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Derecognition of financial assets and liabilities

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

TURNOVER

Turnover is recognised at the fair value of the consideration received or receivable for sale of services to external customers in the ordinary nature of the business. Turnover is shown net of Value Added Tax.

INTEREST INCOME

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

AGENCY ARRANGEMENTS

Income and expenditure is included in the statement of comprehensive income where the group 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 Group in connection with agency arrangements is included within other operating income.

1 CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions: The Group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The recoverable amount of goodwill is based on value in use which requires estimates in respect of the allocation of goodwill to cash generating units, the future cash flows and an appropriate discount rate. The key inputs to the value in use calculations are the discount rate and the future earnings growth.

The actuarial calculation of the deferred benefit pension scheme requires assumptions to be made in respect of the mortality rates of members, the rate of inflation and the discount rate that should be used. Further details can be found in note 20.

Critical areas of judgement: The directors do not consider there to be any areas of judgement that need to be brought to the attention of the readers of the accounts.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

2 TURNOVER

The Group's turnover was derived from its principal activities. Turnover is derived solely in the United Kingdom.

An analysis of the Group's turnover by class of business is as follows:

	2016 £	2015 £
Management of RBKC social housing properties	11,016,203	10,833,933
Provision of repairs and maintenance services	6,084,884	5,666,278
Community Alarm Service	516,705	501,693
	<u>17,617,792</u>	<u>17,001,904</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £	2015 £
Interest on defined benefit pension scheme liabilities net of interest income on assets	(290,000)	(264,000)
	<u></u>	<u></u>

4 (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2016 £	2015 £
This is stated after charging:		
Amortisation of goodwill	6,338	6,338
Depreciation of tangible assets	253,791	285,701
Amortisation of intangible assets	150,030	153,338
Operating lease rentals:		
- land and buildings	511,621	493,058
- plant and machinery	106,355	104,770
Fees payable to the company's auditor:		
- Statutory audit of parent and consolidated financial statements	24,070	23,760
- Statutory audit of subsidiary financial statements	6,000	8,090
All other non-audit services	31,190	13,975
Stock		
- Amounts expensed to cost of sales	451,254	493,784
	<u></u>	<u></u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

5 EMPLOYEES

The average monthly number of persons (including directors) employed by the Group during the year was:

	2016 No.	2015 No.
Housing	79	76
Technical services	88	95
Support services	51	49
	<u>218</u>	<u>220</u>

Staff costs for the above persons:

	2016 £	2015 £
Wages and salaries	7,798,782	7,629,673
Social security costs	697,941	690,808
Other pension costs	1,652,404	1,202,613
	<u>10,149,127</u>	<u>9,523,094</u>
Agency Staff Costs	<u>1,376,702</u>	<u>1,110,423</u>
Total Staff Costs	<u>11,525,829</u>	<u>10,633,517</u>

The eight Resident Board Members have been paid expense allowances totalling £13,070 (2015: £13,099). A further £1,778 was reimbursed to board members for expenses incurred (2015: £841).

Pension costs are analysed as follows:

Current service cost	1,634,000	1,178,000
Repairs Direct defined contribution scheme	17,818	23,951
TMO defined contribution scheme	586	662
	<u>1,652,404</u>	<u>1,202,613</u>

6 TAXATION

	2016 £	2015 £
Current tax		
UK corporation tax	47,589	58,610
Adjustment in respect of prior years	(72,259)	(6,263)
Total current tax	<u>(24,670)</u>	<u>52,347</u>
Deferred tax		
Timing differences in relation to pension liability	(145,260)	-
Origination and reversal of timing differences	(102,864)	18,955
Total deferred tax (credit)/charge	<u>(248,124)</u>	<u>18,955</u>
Total tax on loss on ordinary activities	<u>(272,794)</u>	<u>71,302</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

6	TAXATION (continued)	2016 £	2015 £
	FACTORS AFFECTING TAX (CREDIT)/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) on ordinary activities before tax	<u>(629,145)</u>	<u>(347,696)</u>
	(Loss) multiplied by the standard rate of corporation tax in the UK of 20%	(125,829)	(69,539)
	Effects of:		
	Amounts relating to change in tax rates	8,056	-
	Deferred tax not recognised in prior year	(3,754)	-
	Expenses not deductible for tax purposes	(79,008)	147,104
	Adjustment to the tax charge in respect of prior years	<u>(72,259)</u>	<u>(6,263)</u>
		<u>(272,794)</u>	<u>71,302</u>
7	INTANGIBLE FIXED ASSETS - GOODWILL	£	
	<i>GROUP</i>		
	Cost:		
	1 April 2015 and 31 March 2016	<u>31,690</u>	
	Amortisation		
	1 April 2015	9,507	
	Charged in year	<u>6,338</u>	
	At 31 March 2016	<u>15,845</u>	
	Net Book Value		
	At 31 March 2016	<u>15,845</u>	
	At 31 March 2015	<u>22,183</u>	

On 25 January 2013 Kensington and Chelsea TMO Repairs Direct Limited was incorporated. On incorporation The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited subscribed for the share capital of 1 ordinary share of £1 at par. The TMO incurred fees of £31,690 and capitalised these as part of the cost of investment. On consolidation goodwill of £31,690 arises, this goodwill is amortised in the consolidated financial statements over a period of 5 years.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

8 INTANGIBLE FIXED ASSETS

Group

	Electronic Data Management System	Total
	£	£
COST		
At 1 April 2015	758,870	758,870
Additions	44,980	44,980
At 31 March 2016	<u>803,850</u>	<u>803,850</u>
DEPRECIATION		
At 1 April 2015	376,458	376,458
Charge for the year	150,030	150,030
At 31 March 2016	<u>526,488</u>	<u>526,488</u>
NET BOOK VALUE		
At 31 March 2016	<u>277,362</u>	<u>277,362</u>
At 31 March 2015	<u>382,412</u>	<u>382,412</u>

INTANGIBLE FIXED ASSETS

Company

	Electronic Data Management System	Total
	£	£
COST		
At 1 April 2015	432,876	432,876
Additions	44,980	44,980
At 31 March 2016	<u>477,856</u>	<u>477,856</u>
DEPRECIATION		
At 1 April 2015	271,273	271,273
Charge for the year	83,104	83,104
At 31 March 2016	<u>354,377</u>	<u>354,377</u>
NET BOOK VALUE		
At 31 March 2016	<u>123,479</u>	<u>123,479</u>
At 31 March 2015	<u>161,603</u>	<u>161,603</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

9	TANGIBLE FIXED ASSETS	Office Furniture	Computer	Leasehold	
	<i>Group</i>	& Fit Out	and Office	Improvements	Total
			Equipment		
		£	£	£	£
	COST				
	At 1 April 2015	1,183,704	757,210	329,541	2,270,455
	Additions	1,414	93,681	-	95,095
	Disposals	-	(108,026)	-	(108,026)
	At 31 March 2016	<u>1,185,118</u>	<u>742,865</u>	<u>329,541</u>	<u>2,257,524</u>
	DEPRECIATION				
	At 1 April 2015	609,720	642,683	104,216	1,356,619
	Charge for the year	121,969	96,350	35,472	253,791
	Eliminated in respect of disposals	-	(108,026)	-	(108,026)
	At 31 March 2016	<u>731,689</u>	<u>631,007</u>	<u>139,688</u>	<u>1,502,384</u>
	NET BOOK VALUE				
	At 31 March 2016	<u>453,429</u>	<u>111,858</u>	<u>189,853</u>	<u>755,140</u>
	At 31 March 2015	<u>573,984</u>	<u>114,527</u>	<u>225,325</u>	<u>913,836</u>
	TANGIBLE FIXED ASSETS	Office Furniture	Computer	Leasehold	
	<i>Company</i>	& Fit Out	Equipment	Improvements	Total
		£	£	£	£
	COST				
	At 1 April 2015	1,134,916	757,210	329,541	2,221,667
	Additions	1,414	93,681	-	95,095
	Disposals	-	(108,026)	-	(108,026)
	At 31 March 2016	<u>1,136,330</u>	<u>742,865</u>	<u>329,541</u>	<u>2,208,736</u>
	DEPRECIATION				
	At 1 April 2015	596,695	642,683	104,216	1,343,594
	Charge for the year	112,211	96,350	35,472	244,033
	Eliminated in respect of disposals	-	(108,026)	-	(108,026)
	At 31 March 2016	<u>708,906</u>	<u>631,007</u>	<u>139,688</u>	<u>1,479,601</u>
	NET BOOK VALUE				
	At 31 March 2016	<u>427,424</u>	<u>111,858</u>	<u>189,853</u>	<u>729,135</u>
	At 31 March 2015	<u>538,221</u>	<u>114,527</u>	<u>225,325</u>	<u>878,073</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

10 FIXED ASSET INVESTMENTS

<i>Company</i>	Loan to subsidiary (including costs capitalised)	Shares in subsidiary	Capital contribution	Total
	£	£	£	£
Cost and net book value:				
At 1 April 2015	575,791	1	115,997	691,789
Repayment	(101,054)	-	-	(101,054)
Interest	32,646	-	-	32,646
At 31 March 2016	<u>507,383</u>	<u>1</u>	<u>115,997</u>	<u>623,381</u>

The company's subsidiary undertaking is:

<i>Name of company</i>	<i>Proportion of voting rights and shares held</i>	<i>Class of shareholding</i>	<i>Nature of Business</i>
Kensington & Chelsea TMO Repairs Direct Limited	100%	Ordinary	Provision of repairs and maintenance services for the housing stock under the management of KCTMO.

The cost of the investment in subsidiary undertaking represents £1 share capital plus associated costs of £31,690. In addition, KCTMO had loaned the subsidiary company £525,000 at 31 March 2016 (2015: £626,003).

11 STOCKS

STOCKS	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	£	£	£	£
Raw materials and consumables	6,833	6,833	-	-
	6,833	6,833	-	-

There is no material difference between the carrying amount of stock and its replacement cost.

12 DEBTORS

DEBTORS	<i>Group</i>		<i>Company</i>	
	2016	2015	2016	2015
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	599,249	202,503	77,228	45,455
Other debtors	37,523	296,663	37,524	296,663
Corporation tax	21,899	-	21,899	-
Prepayments and accrued income	632,266	1,117,663	581,170	374,960
	<u>1,290,937</u>	<u>1,616,829</u>	<u>717,821</u>	<u>717,078</u>
Amounts falling due after one year:				
Deferred tax assets (note 15)	<u>1,245,398</u>	<u>-</u>	<u>1,245,398</u>	<u>-</u>
	<u>2,536,335</u>	<u>1,616,829</u>	<u>1,963,219</u>	<u>717,078</u>

During the year, an impairment loss of £Nil (2015: £Nil) was recognised in respect of trade receivables due from customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

13 CREDITORS: amounts falling due within one year	2016	Group	2016	Company
	£	2015	£	2015
		£		£
Payments received on account	-	434,874	-	-
Trade creditors	611,608	158,583	399,273	132,851
Corporation tax	41,489	58,610	-	56,845
Other taxes and social security	287,272	937,982	171,969	649,291
Other creditors	182,267	19,082	182,267	19,080
Accruals and deferred income	879,456	2,007,928	855,089	1,797,378
	<u>2,002,092</u>	<u>3,617,059</u>	<u>1,608,598</u>	<u>2,655,445</u>

14 FINANCIAL INSTRUMENTS

The carrying amounts of the Group's & Company's financial instruments at 31 March were:

	2016	Group	2016	Company
	£	2015	£	2015
		£		£
Financial assets:				
Debt instruments measured at amortised cost:				
Cash at bank and in hand	1,849,538	2,666,003	1,679,117	2,352,186
Trade debtors	599,249	202,503	77,228	45,455
Other debtors	37,523	296,663	37,524	296,664
Accrued income	259,314	703,594	208,856	40,569
Total	<u>2,745,624</u>	<u>3,868,764</u>	<u>2,002,725</u>	<u>2,734,874</u>
Instruments measured at fair value through profit or loss:				
Loan to subsidiary undertaking			507,383	575,791
Total			<u>507,383</u>	<u>575,791</u>

Financial liabilities:

Measured at amortised cost:

Payments received on account	-	434,874	-	-
Trade creditors	611,608	158,583	399,273	132,851
Other creditors	182,267	19,082	182,267	19,080
Accruals	853,339	996,997	828,972	786,447
Total	<u>1,647,214</u>	<u>1,609,536</u>	<u>1,410,512</u>	<u>938,378</u>

15 PROVISIONS FOR LIABILITIES

Group	2016	2015
	£	£
Balance at 1 April 2015	(16,866)	2,089
Credited/(charged) to statement of comprehensive income	10,906	(18,955)
Balance at 31 March 2016	<u>(5,960)</u>	<u>(16,866)</u>

	2016	Group	2016	Company
	£	2015	£	2015
		£		£
Provision for deferred tax has been made as follows:				
Deferred tax liabilities	(5,960)	(16,866)	-	-
Deferred tax assets	1,245,398	-	1,245,398	-
Net position at 31 March 2016	<u>1,239,438</u>	<u>(16,866)</u>	<u>1,245,398</u>	<u>-</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

15 PROVISIONS FOR LIABILITIES (continued)

The major deferred tax liabilities and assets recognised by the group and company are:

	2016	Group 2015	2016	Company 2015
	£	£	£	£
Deferred tax liabilities:				
Accelerated capital allowances	(5,960)	(16,866)	-	-
	<u>(5,960)</u>	<u>(16,866)</u>	<u>-</u>	<u>-</u>
Deferred tax assets:				
Decelerated capital allowances	3,954	-	3,954	-
Retirement benefit obligation	1,241,444	-	1,241,444	-
	<u>1,245,398</u>	<u>-</u>	<u>1,245,398</u>	<u>-</u>

16 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.

17 RESERVES

Reserves of the Group and Company represent the following:

Retained earnings

Cumulative profit and loss.

Pension reserve

The cumulative actuarial gains and losses on the defined benefit pension scheme.

18 RELATED PARTIES

The Royal Borough of Kensington and Chelsea (RBKC) is a related party by virtue of the Management Agreement between KCTMO and the RBKC and the RBKC's right to nominate directors to the Board of the company. The KCTMO company's main source of income is a management fee for the management of the RBKC housing stock. This amounted to £11,016,203 (2015: £10,833,933). KCTMO company also purchased services from RBKC in the year totalling £658,933 (2015: £752,982). At the end of the financial year, a net balance of £98,861 was owed to RBKC, including £163,267 for the inter-entity balance, £75,206 owed to KCTMO company for other services to RBKC and £10,800 owed to RBKC for services from RBKC. (2015: £290,385 was due to KCTMO company, including £252,569 due for the inter-entity balance and £37,816 for other services to RBKC). At the end of the year there was also £16,550 accrued income due for services provided to RBKC and £33,171 accrued costs due for services purchased from RBKC during the year. (2015: £41,060 of accrued income due to the company from RBKC and £173,539 accrued costs owed to RBKC).

In addition to the above, during the year KCTMO company had provided services to RBKC in respect of the Community Alarm Services for the amount of £419,461 (2015: £393,784).

During the year KCTMO recharged RBKC for consultancy and other services for the amount of £1,157,477 (2015: £778,197).

KCTMO has an Agency Agreement with RBKC for providing a service of Digital TV for a period of 10 years and during the year earned £1,000 (2015: £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 2016

19 LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2016	Group 2015	2016	Company 2015
	£	£	£	£
Land and Buildings				
Within one year	495,020	497,850	495,020	497,850
Between one and five years	1,427,166	1,921,264	1,427,166	1,921,264
	<u>1,922,186</u>	<u>2,419,114</u>	<u>1,922,186</u>	<u>2,419,114</u>
Plant and Machinery				
Within one year	88,806	88,806	-	-
Between one and five years	125,808	214,614	-	-
	<u>214,614</u>	<u>303,420</u>	<u>-</u>	<u>-</u>

20 RETIREMENT BENEFITS

During the year the group operated both defined benefit and defined contribution pension schemes.

DEFINED CONTRIBUTION

The Group operates a defined contribution pension scheme for all qualifying employees in the United Kingdom. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions payable by the Group charged to profit or loss amounted to £18,404 (2015: £24,613). Contributions totalling £2,040 (2015: £1,728) were payable to the fund at the year end and are included in creditors.

	2016	Group 2015	2016	Company 2015
	£	£	£	£
Contributions payable for the year	<u>18,404</u>	<u>24,613</u>	<u>586</u>	<u>662</u>

DEFINED BENEFIT

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 2013 (Barnett Waddingham) and were set on the basis of:

- The relationship between the assessed value of assets and the accrued value of liabilities of pensionable service to 31 March 2013;
- The level of contribution needed to meet the cost of the year by year accrued benefits in the
- The change in terms of contracting out of SERPS.

The date of the last valuation was 31 March 2013. The market value of the scheme's assets at 31 March 2013 was £633 million. The actuarial valuation, done using the projected unit method was based on economic and statistical assumptions, the main ones being:

- 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;
- Future rises in pensionable pay due to inflation etc, and pension increases;
- Withdrawals from membership due to mortality, ill health and ordinary retirement; and
- Progression of pensionable pay due to promotion.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

20 RETIREMENT BENEFITS (continued)

As a result of the 31 March 2013 valuation, the level of employer's contribution funding was set at 20.5% of pensionable salaries for the years ending 31 March 2015, 31 March 2016 and 31 March 2017. Future contribution rates will be dependent on the results of actuarial valuations.

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

These assumptions are set with reference to the market conditions at 31 March 2013. The discount rate is the annualised yield at the 21 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of FRS17 and with consideration of the duration of the Employer's liabilities. This approach has been updated from previous disclosures where the yield on the iBoxx AA rated over 15 year corporate bond index was used as a standard assumption for most Employers in the fund.

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, specifically the 21 year point on the BoE spot inflation curve. Previously, the 20 year point was used and so this has been updated to reflect that this Employer's liabilities have a longer duration than average.

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 3.4%. 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. 2.6%.

Salaries are then assumed to be increased in line with RPI in addition to a promotional scale.

The principal assumptions used in the calculation of the valuation of the plan assets and the present value of the defined benefit obligation include:

	2016	2015
Discount rate	3.7%	3.3%
Future salary increases	3.3%	3.2%
Future pension increases	2.4%	2.4%
RPI Inflation Rate	3.3%	3.2%
CPI Inflation Rate	2.4%	2.4%

MORTALITY

The post retirement mortality tables adopted are the SIPA tables with a multiplier of 105% for males and 95% for females. These base tables are then projected using the CMI 2012 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The average life expectancy for a pensioner retiring at 65 on the reporting date is:	2016	2015
	years	years
Male	22.5	22.4
Female	25.8	25.7
The average life expectancy for an employee retiring at 65 that is aged 45 at the reporting date is:	2016	2015
	years	years
Male	24.8	24.6
Female	28.1	28.0

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

20 RETIREMENT BENEFITS (continued)

Amounts recognised in profit or loss in respect of the defined benefit schemes are as follows:	2016 £(000)	2015 £(000)
Service costs	1,634	1,178
Net interest on the net defined benefit pension liability	290	264
Administrative expenses	35	28
	<u>1,959</u>	<u>1,470</u>

The actual return on scheme assets in the year was £1,128,000. (2015: £6,448,000)

AMOUNT RECOGNISED IN STATEMENT OF OTHER COMPREHENSIVE INCOME	2016 £(000)	2015 £(000)
Actuarial Gains / (Losses) on liability	4,229	(7,765)
Return on assets less interest	(460)	4,618
Actuarial Gains and Losses	<u>3,769</u>	<u>(3,147)</u>

FAIR VALUE OF EMPLOYER'S ASSET	2016 £(000)	2015 £(000)
Equities	38,340	36,771
Properties	2,567	1,788
Cash	2,954	3,741
Other Assets	5,556	5,600
Total	<u>49,417</u>	<u>47,900</u>

BALANCE SHEET	2016 £(000)	2015 £(000)
Fair Value of Employer Assets	49,417	47,900
Present Value of Funded Plans	(55,825)	(57,270)
Net Underfunding in Funded Plans	<u>(6,408)</u>	<u>(9,370)</u>

RECONCILIATION OF DEFINED BENEFIT OBLIGATION	2016 £(000)	2015 £(000)
Opening Defined Benefit Obligation	57,270	46,957
Current Service Cost	1,634	1,178
Interest Cost	1,878	2,122
Contribution by Members	421	396
Actuarial (Gains) / Losses	(4,229)	7,765
Estimated Benefits Paid	(1,149)	(1,148)
Closing Defined Benefit Obligation	<u>55,825</u>	<u>57,270</u>

RECONCILIATION OF FAIR VALUE OF EMPLOYER ASSETS	2016 £(000)	2015 £(000)
Opening Fair Value of Scheme assets	47,900	41,141
Interest on Assets	1,588	1,858
Return on assets less interest	(460)	4,618
Contributions by employer	1,152	1,063
Contributions by Scheme participants	421	396
Estimated Benefits Paid	(1,149)	(1,148)
Scheme Administration Expenses	(35)	(28)
Closing Fair Value of Employer Assets	<u>49,417</u>	<u>47,900</u>

The employer's contribution for the year to 31 March 2016 was 20.5% of pensionable salaries.

The employer's contributions for the year to 31 March 2017 will be approximately £1,159,000.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

21 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

22 REMUNERATION OF KEY MANAGEMENT PERSONNEL

The total remuneration of the key management personnel of the group was £760,353 (2015: £738,439).

The total remuneration of the individuals who are considered to be the key management personnel of the Company, was £650,794 (2015: £640,599).

23 FIRST TIME ADOPTION OF FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on;

- (i) the consolidated equity at the date of transition to FRS 102;
- (ii) the consolidated equity at the end of the comparative period;
- (iii) the consolidated profit or loss for the comparative period reported under previous UK GAAP;
- (iv) the company equity at the date of transition to FRS 102;
- (v) the company equity at the end of the comparative period; and
- (vi) the company profit or loss for the comparative period reported under previous UK GAAP is given below

Under FRS 102, the Consolidated Statement of Cash Flows presents changes in cash and cash equivalents (which include cash in hand, deposits repayable on demand and overdrafts and short-term, highly liquid investments), showing changes arising from operating activities, investing activities and financing activities separately. Under previous UK GAAP, the Consolidated Cash Flow Statement presented changes in cash (which includes cash in hand, deposits repayable on demand and overdrafts) under the headings of operating activities, returns on investments and servicing of finance, taxation, capital expenditure and financial investment, acquisitions and disposals, equity dividends paid, management of liquid resources, and financing.

RECONCILIATION OF CONSOLIDATED EQUITY	1 April 2014	31 March 2015
	Notes	£
Consolidated equity as previously reported under previous GAAP		(3,745,383)
Recognition of holiday pay accrual	A	(84,446)
Consolidated equity reported under FRS 102		<u>(3,829,829)</u>

RECONCILIATION OF CONSOLIDATED PROFIT OR LOSS	Notes	Year ended 31 March 2015
		£
Consolidated profit or loss as previously reported under previous GAAP		58,858
Recognition of holiday pay accrual	A	(14,856)
Reduction in income on plan assets held in retirement benefit plans	B	(463,000)
Consolidated profit or loss reported under FRS 102		<u>(418,998)</u>

RECONCILIATION OF COMPANY EQUITY	1 April 2014	31 March 2015
	Notes	£
Company equity as previously reported under previous GAAP		(3,587,416)
Recognition of holiday pay accrual	A	(84,446)
Fair value gains/(losses) on amounts owed to group	C	-
Company equity reported under FRS 102		<u>(3,671,862)</u>

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

23 FIRST TIME ADOPTION OF FRS 102 (continued)

RECONCILIATION OF COMPANY PROFIT OR LOSS

	Notes	Year ended 31 March 2015 £
Company profit or loss as previously reported under previous GAAP		37,907
Recognition of holiday pay accrual	A	(14,856)
Reduction in income on plan assets held in retirement benefit plans	B	(463,000)
Fair value gains on amounts owed to group	C	34,096
Company profit or loss reported under FRS 102		<u>(405,853)</u>

TRANSITION TO FRS 102

A – Holiday pay accrual

As disclosed in the Employee Benefits accounting policy employees are entitled to carry forward holiday. Under FRS 102 an accrual has been included for these amounts.

B – Interest income on plan asset

Under FRS102 the actuarial valuation of the defined benefit scheme is the same as under previous UK GAAP but there is a difference in how the net interest included in the profit and loss account is calculated. The effect of this is a £463,000 increase in the net interest included in the restated company and consolidated 31 March 2015 profit and loss account. There is no effect on company or consolidated equity because there are equal and opposite differences in the actuarial movements recognised in other comprehensive income.

C – Fair value gains / (losses) on amounts owed to group

Under FRS 102 the interest free loan to the subsidiary has been included at fair value being the present value of future cashflows. This results in interest income being recognised.

24 CONTINGENT LIABILITY

The Company signed an agreement with Thames Water Utilities Limited (Thames Water) dated 1st April 2006. The terms of the Agreement require the Company to pay Thames Water for the water supply and sewerage charges for properties managed by the Company where there is no water meter installed. The Company receives a commission which is used by the Company to cover the cost of invoicing the tenants, collecting the charges and covering any bad debts incurred. Since commencement of the contract the Company has received total commission of £1.6m.

Further to the decision in the case of Jones v London Borough of Southwark by the High Court the Company has identified a contingent liability related to the commission received but there is uncertainty of the period to which it applies.

The RBKC has undertaken to indemnify the Company for the full amount should any liability arise.

THE POWER OF BEING UNDERSTOOD

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THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA TENANT MANAGEMENT ORGANISATION LIMITED

Draft Audit Findings Report

Year ended 31 March 2016

Presented to the Finance, Audit and Risk Committee
By RSM UK Audit LLP on 7 July 2016





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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 ('TMO' or 'the company') and its subsidiary Kensington and Chelsea TMO Repairs Direct Limited ("RD") in respect of the year ended 31 March 2016.

Collectively, the company and RD are referred to as 'the group'.

The scope of our work has already been communicated to you via our Audit Plan document dated 13 April 2016.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 5.

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.

Outstanding matters

1. Council letter of support/confirmation
2. Post balance sheet events update
3. Review of Directors' Report and Strategic Report (draft received)
4. Review of updated financial statements (draft received)

2 QUALITATIVE ASPECTS OF EARNINGS

The table below sets out the significant one-off items that have affected reported results for the year:

	£'000
Consolidated loss before tax per financial statements	(629)
Adjustments:	
Pension impacts	
• Interest expense on defined benefit pension	290
• Current service cost	1,634
• Contributions paid	(1,152)
• Scheme administration expenses	35
	807
Revised profit before tax before pension items	178

It should be noted that the valuation of the pension scheme liabilities for accounting purposes has resulted in a decrease in the group's pension liabilities from £9.37m at 31 March 2015 to £6.41m at 31 March 2016. This has been shown in the financial statements as follows:

2015/16 profit and loss account (see above)	807
Other comprehensive income	(3,769)
Decrease in liability	(2,962)

3 AUDIT AND ACCOUNTING ISSUES IDENTIFIED AT PLANNING STAGE

Management over ride of internal controls

Key area of audit focus

In any organisation there will be an extent to which management can bypass internal controls. By definition, there can be no controls over this risk and this is specifically stated in International Standards on Auditing ("ISA"): 240. Such over-ride, if exercised, could give rise to material fraud or misstatement in the financial statements.

This should be addressed as part of the entity's risk assessment and those charged with governance need to understand the extent to which management can override controls and provide oversight, where appropriate.

Our approach

We will discuss and consider segregation of duties within the established control environment.

We will review controls over journal entries and test a sample of journals to ensure that they are valid and appropriately supported.

We will obtain an understanding of the business rationale of significant transactions that we become aware of during the audit process that appear to be outside the normal course of business for the company or that appear to be unusual, given our understanding of the company's operating environment.

We will consider estimates and judgements made by management in the preparation of the statutory accounts and conclude on their appropriateness. Board representations will be sought in this area, where needed.

We will review internal audit reports issued in the year and consider their findings in relation to the financial statements.

Response

Our work was completed as planned. No errors have come to light as a result of our work; however, as noted in Section 6 of this report we observed that journal entries are not formally approved prior to posting. This is an area of potential risk for the organisation.

Adoption of FRS102 (New UK GAAP)

Key area of audit focus	FRS 102 (new UK GAAP) must be adopted for the year ended 31 March 2016. The comparative profit and loss account and balance sheet at 31 March 2015 (and the opening position at 1 April 2014) will also need to be re-stated under FRS 102.
Our approach	<p>We will review the exercise completed by management to assess any changes required under new UK GAAP.</p> <p>We will review the accounting policy choices and disclosures in the financial statements (including transition reconciliations) in detail to ensure they are compliant with FRS 102.</p>
Response	<p>All changes required under new UK GAAP have been included in the financial statements. A reconciliation of equity and profit/(loss) for both entities and the group has been included in Note 23 of the consolidated accounts and Note 15 of the RD accounts.</p> <p>Accounting policies and disclosures have been reviewed and are considered to be compliant with FRS 102.</p>

Completeness of trade creditors and accruals including charges made by Royal Borough of Kensington and Chelsea (“RBKC” or “the Council”)

Key area of audit focus	Completeness of trade creditors and accruals including charges made by the Council is key to ensure that all costs are recognised in the correct period.
Our approach	<p>We will perform cut off tests to ensure that costs are recognised in the correct period.</p> <p>We will review a sample of SLAs to ensure all costs have been accrued.</p> <p>We will review post year end management accounts.</p> <p>We will review reported expenditure against expectations and investigate any material variances arising.</p> <p>We will obtain confirmations from the Council to confirm the balances at the year end and the transactions in the year.</p>
Response	<p>Direct confirmation of the transactions and balances between the group and the Council has been requested but is currently outstanding (see Section 1).</p> <p>Our detailed audit work has been completed and no issues were noted.</p> <p>Final post balance sheet work is outstanding (see Section 1).</p> <p>All material variances were satisfactorily investigated with no matters to report.</p>

Defined benefit pension scheme

Key area of audit focus

The defined benefit pension scheme liability recognised on the balance sheet is judgemental due to the assumptions used to calculate it.

Our approach

We will review the instructions given to the Actuary regarding the valuation as at 31 March 2016.

We will assess the reasonableness of the assumptions used, liaising with the Actuary, as necessary.

We will seek representations from the Directors that the assumptions used are reflective of the position at the year end if appropriate.

Response

Our work has been completed as planned.

The basis of preparation of the report has been reviewed and is considered appropriate.

The assumptions have been compared to those used by other entities and their actuaries, all assumptions are considered reasonable.

Taxation

Key area of audit focus

The company historically had a mutual trading status for the activities that are carried out with the Council. Tax computations have been submitted for 2014 and 2015 showing a change in the status to a fully trading status with effect from 1 September 2013, following changes in the new MMA which show that the TMO activity is now on a commercial basis and that the TMO is taking the risks and rewards one would expect from a normal commercial trading organisation. There is a risk that HMRC could challenge this change in status and that the refunds claimed may not be received or may be repayable.

Our approach

We will review the accounting entries and associated disclosures in respect of corporation tax included in the draft financial statements and assess these for reasonableness, considering the scope of any relevant uncertainties.

We will review any correspondence with HMRC and agree any receipts of refunds to bank statements, where appropriate.

Response

Accounting entries have been reviewed as well as the associated disclosure there have been a number of adjustments included in Section 5. These relate to the inclusion of the tax refund relating to 2015 which has not yet been received and adjusting the current year income/deferred tax charges. This includes a deferred tax asset on the pension liability of £1,281,600 due to the change in tax status.

No correspondence has been received from HMRC during the year.

There has been a receipt of £42,495 and payment of £56,844 has been agreed to the bank statements during the year.

Going concern

Key area of audit focus	The current economic climate and the changes in the business and operating environment of the organisation makes going concern a key area to focus on.
Our approach	<p>We will review budgets and forecasts for a period of 12 months from the date the financial statements are approved.</p> <p>We will confirm the agreement of the 2016/17 management fee.</p> <p>We will confirm with management that there are no notified breaches of the management agreement.</p> <p>We will obtain confirmation from the Council that any pension deficit will not trigger termination of the management agreement.</p>
Response	<p>Budgets have been reviewed and assumptions used are in line with our knowledge of the entity.</p> <p>Confirmation is outstanding as detailed in Section 1.</p>

4 AUDIT AND ACCOUNTING ISSUES IDENTIFIED DURING THE AUDIT

There were no audit and accounting issues identified during the course of the audit that have not been covered in Section 3 of this report.

5 UNADJUSTED/ADJUSTED MISSTATEMENTS

A summary of the unadjusted/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 £1,000 individually and £5,000 in aggregate.

We advised management of all these misstatements on 15 June 2016 and requested management to correct them.

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

	Total comprehensive income (£)	Net assets (£)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Corporation tax receivable		2,165	Reclassification of the corporation tax creditor to the profit and loss account for the 2015 receipt and corporation tax debtor.
Corporation tax payable		40,330	
Taxation	(42,495)		
Taxation	(28,000)		To include 2014 restated tax computation receipt in the current year financial statements
Corporation tax receivable		28,000	
Taxation	3,192		Updated current and deferred tax charges for 2016 following completion of detailed corporation tax computations
Deferred tax asset		5,074	
Corporation tax receivable		(8,266)	
Deferred tax asset		1,153,440	To recognise the deferred tax asset on the defined benefit pension scheme
Taxation	(145,260)		
Other comprehensive income	(1,008,180)		
Intangibles		(15,845)	FRS102 adjustment - Reclassification of cost of investment and reversal of amortisation
Amortisation	(15,845)		
Cost of investment in RD		31,690	
Holiday accrual		28,664	FRS102 adjustment - Correction of overstatement on holiday accrual at transition
Reserves		(28,664)	
Total	(1,236,588)	1,236,588	
Unadjusted misstatements	Dr/(Cr)	Dr/(Cr)	
None	-	-	

Kensington and Chelsea TMO Repairs Direct Limited

	Profit (£)	Net assets (£)	
Adjusted misstatements	Dr/(Cr)	Dr/(Cr)	
Trade creditors		24,811	Reclassification of PAYE/NI liability
Other taxation and social security		(24,811)	
Taxation	6,529		Updated current tax charge for 2016
Corporation tax payable		(6,529)	following completion of detailed
			corporation tax computations
Total	6,529	(6,529)	
Unadjusted misstatements	Dr/(Cr)	Dr/(Cr)	
None	-	-	

6 DEFICIENCIES IN INTERNAL CONTROL

We have not identified any significant deficiencies in internal control; however, noted below are certain matters of a “house-keeping” nature 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.

“House-keeping matters”

Related Parties (TMO and RD)

Fact and potential consequence	There is no listing of potential related parties maintained by management; this could result in related party disclosures not being made. Furthermore there is a possibility of the company entering into contracts with related parties which they are not aware of, which may result in a conflict of interest.
Possible action	Obtain declaration of interests from all directors and senior management on an annual basis and maintain a list of related parties.
Management response and timing of implementation	A new process requiring all Directors/Board and Committee members, and all staff to complete an annual Declaration of Interest (including related party activity/transactions) will be introduced by the end of March 2017. Currently staff are required to advise the Company Secretary of any conflict of interest at the time of occurrence and Board and Committee do so where applicable at every Board and Committee meeting.

Stock (RD)

Fact and potential consequence	The stock figure of £6,833 included in the financial statements is the same for 2016 as for 2015. There has been no detailed stock count performed by management at the year end and there are no workings to detail the value of stock held at the year end. As a result there is no detailed monitoring of stock levels and review of the value of the stock included in the financial statements.
Possible action	Ensure a stock count is completed at the year end and stock is valued to include an accurate figure in the financial statements.
Management response and timing of implementation	An automated van stock and replenishment system to be implemented by the end of the 2016/17 financial year and a full stock count, formally recorded, supervised and randomly audited, to be a key component of the launch of this system. The movement to this system was delayed by the need to re-procure the materials supply contract, which is currently underway.

Journals (TMO and RD)

Fact and potential consequence	As noted in prior years, journals are posted prior to approval. There is the risk that inappropriate or incorrect journals could be posted to the system.
Possible action	Consideration should be given to the timing of the approval process for journals over a certain size or type.
Management response and timing of implementation	<p>All journals are reviewed by the ADoF after posting to the system, however all purchase ledger invoices are double checked before posting to the Finance system, there is segregation of duties. Responsible officer for Transaction data entry cannot post a transaction, similarly payment imported into bank software is approved by 2 senior members of TMO staff.</p> <p>The journals entered on the system are generally for month end management accounts or for cost code correction. The full management accounts are reviewed by ADoF every month and thus the risks of hiding errors by a journal are reduced.</p> <p>This process is already in place.</p>

VAT Returns (TMO and RD)

Fact and potential consequence	<p>Errors were noted in the completion of Box 6 of the VAT returns for the group for the financial year.</p> <p>In Box 6 intercompany transactions with RBKC have been included which are not sales. This is due to these items being included as zero rated sales invoices rather than exempt.</p> <p>Incorrect reporting of this figure can trigger a VAT inspection from HMRC due to the inconsistent nature of income being reported to them from an entity where income should be relatively consistent throughout the period.</p>
Possible action	Ensure that only sales are included in Box 6 of the VAT return and that other intercompany transactions are excluded.
Management response and timing of implementation	This error once identified has been rectified in the system and staff made aware of the checks they need to undertake to avoid such errors in future.

7 SIGNIFICANT ACCOUNTING POLICIES, DISCLOSURES AND ESTIMATES

Accounting policies and estimates

There are no matters we wish to draw to your attention 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 we would like to bring to your attention, however they have been subsequently reflected in the revised financial statements:

- the presentation and content of the FRS102 reconciliation notes were amended
- the presentation of the capital contribution in relation to the interest-free loan between RD and the TMO was initially included in creditors, rather than within the capital and reserves of RD.

Significant difficulties identified during the audit

None.

8 UNCERTAINTIES, RISKS, EXPOSURES, JUDGEMENTAL ISSUES AND GOING CONCERN

Set out below are those 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.

Goodwill

Goodwill is recognised in the consolidated accounts having arisen on the formation of RD. Goodwill has a carrying value at the year-end of £15,845 and is being written off over 5 years, whilst this period of amortisation does not appear unreasonable this is a judgemental area. We have accepted management's view that this remains appropriate. There is no material impact on the financial statements.

Thames Water commission

Included in the financial statements is a note regarding the contingent liability in respect of Thames Water commission. This is due to the TMO having an agreement with Thames Water Utilities Limited to collect charges from tenants in return for commission. Management has disclosed that the total commission received is £1.6m and that RBKC has undertaken to indemnify the company for the full amount.

9 FEES

We confirm that the fees charged during the year in respect of services performed for The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and Kensington and Chelsea TMO Repairs Direct Limited are consistent with those contained within our Audit Plan submitted to you and dated 13 April 2016.

10 INDEPENDENCE

In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication with those charged with governance”, we have included below a listing of additional services provided by RSM UK Audit LLP and its related entities to The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited and its related entities and directors that may reasonably be thought to bear on RSM UK Audit LLP’s independence and the objectivity of the audit principal, Stephanie Warboys and the audit staff and the related safeguards from those disclosed in the Audit Plan dated 13 April 2016.

Service provided	Threat posed	Safeguard applied and why it addresses the threat	Fees
Productions of skeleton FRS102 accounts and assistance in relation to completing the statements.	Management	The TMO and RD are considered to have informed management (Barbara Matthews and Rupa Bhola) who review the FRS102 accounts. Any adjustments required are agreed by informed management.	£5,796 (excluding VAT)
	Self-review	Services were provided by a separate team independent of the statutory audit team and the work is subject to an independent review.	
	Self interest	Arrangements are not on a contingent basis and are not considered significant in the context of the audit fee.	

APPENDIX A - DRAFT LETTERS OF REPRESENTATION

The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited

RSM UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Dear Sirs

Audit of Financial Statements – Year ended 31 March 2016

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 2016 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 Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited 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

1. 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 group 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.
2. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
3. 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:
 - a 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;
 - b the identity of the party which controls the company, if any;
 - c 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.
4. Full disclosure is made in the financial statements of:
- a outstanding capital commitments contracted for at the balance sheet date;
 - b all contingent liabilities including details of pending litigation and material claims against the company and group;
 - c all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
6. 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 group 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 group to continue as a going concern.
7. 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.
8. 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

1. As agreed in the terms of engagement, we have provided you with:
- a 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;
 - b Additional information that you have requested from us for the purpose of the audit; and
 - c Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.
3. 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.
4. 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.
5. 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.
6. 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 group's ability to conduct its business.
7. We have disclosed to you the identity of the group's related parties and all the related party relationships and transactions of which we are aware.
8. 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.
9. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
10. We confirm that we have informed you of all tax avoidance schemes used by the group.

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 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 20 July 2016.

Yours faithfully

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

Director

Director

Date: 20 July 2016

Kensington and Chelsea TMO Repairs Direct Limited

RSM UK Audit LLP
St Philips Point
Temple Row
Birmingham
B2 5AF

Dear Sirs

Audit of Financial Statements – Year ended 31 March 2016

This representation letter is provided in connection with your audit of the financial statements of Kensington and Chelsea TMO Repairs Direct Limited for the year ended 31 March 2016 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 Kensington and Chelsea TMO Repairs Direct Limited 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

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 9 March 2015, 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.
2. Significant assumptions used by us in making accounting estimates, including those relating to items measured at fair value, are reasonable.
3. 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:
 - a 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;
 - b the identity of the party which controls the company, if any;
 - c 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.
4. Full disclosure is made in the financial statements of:
- a outstanding capital commitments contracted for at the balance sheet date;
 - b all contingent liabilities including details of pending litigation and material claims against the company;
 - c all guarantees or warranties or other financial commitments including those given to or on behalf of other group companies.
5. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
6. 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.
7. All events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires 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.
8. 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

9. As agreed in the terms of engagement, we have provided you with:
- a 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;
 - b Additional information that you have requested from us for the purpose of the audit; and
 - c Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements.

11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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.
17. We confirm that we have disclosed to you details of all banking and financing arrangements including related contracts and hedging products.
18. We confirm that we have informed you of all tax avoidance schemes used by the company.

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 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 14 July 2016.

Yours faithfully

Signed on behalf of the board of Kensington and Chelsea TMO Repairs Direct Limited

Director

Director

Date: 14 July 2016

APPENDIX B - UPDATED FINANCIAL REPORTING DEVELOPMENTS

There are no updated financial reporting developments that we wish to bring to your attention that have arisen since the issue of our original Audit Plan.

Housing

ROOM 131 THE TOWN HALL HORNTON STREET LONDON W8 7NX
Executive Director: Nicholas Holgate



THE ROYAL BOROUGH OF
**KENSINGTON
AND CHELSEA**
1 July 2016

My reference: Please ask for: Roberto Cusano

RSM UK Audit LLP
St Philips Points
Temple Row
Birmingham
B2 5AF

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 2016

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 2016 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 2015/16. There is an intention to make changes to the existing modular management agreement to reflect current practices.

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 2016, the TMO had a net deficit position of £2.97 million. The net deficit position is represented by cumulative reserves on the profit and loss account of £2.3 million and the FRS17 pension scheme deficit of £5.3 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 2016 payable by RBKC to the TMO amounted to £11,016,203 including £72,000 in fees for the management of Stable Way and £226,417 Supporting People grant.

Other income earned by the TMO from RBKC in respect of the year ended 31 March 2016 was as follows:

- CAS Income : £419,461
- Recharges for consultancy and other services: £1,157,477, 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 2016/17 is £11,157,264 including fees for the management of Lancaster West, £80,000 in fees for the management of Stable Way and £252,250 Supporting People grant.

In addition to the above, the TMO has earned £1,000 during 2015/16 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 2016 amounted to £658,933. There was no amounts receivable from RBKC to the TMO under reverse SLAs.

Amounts due from/to RBKC

We confirm that as at 31 March 2016, TMO owed the RBKC a net balance of £98,861 including £163,267 for the inter-entity balance and £75,206 owed to the TMO for other services provided to RBKC and £10,800 owed to RBKC for services from RBKC. There was also accrued income due from RBKC amounting to £16,550 and accrued costs due to RBKC amounting to £33,171 at the year end.

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.

Repairs Direct

We confirm that as at 31 March 2016, Repairs Direct had been paid £6,058,161 by RBKC for works completed to its properties.

Contingent Liability

The TMO signed an agreement with Thames Water Utilities Limited (Thames Water) dated 1st April 2006. The terms of the Agreement require the Company to pay Thames Water for the water supply and sewerage charges for properties managed by the Company where there is no water meter installed. The Company receives a commission which is used by the Company to cover the cost of invoicing the tenants, collecting the charges and covering any bad debts incurred. Since commencement of the contract the Company has received total commission of £1.6m.

Further to the decision in the case of Jones v London Borough of Southwark by the High Court the Company has identified a contingent liability related to the commission received but there is uncertainty of the period to which it applies.

The RBKC has undertaken to indemnify the Company for the full amount should any liability apply.

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



Laura Johnson
Director for Housing
The Royal Borough of Kensington and Chelsea
Tel: [REDACTED]
Email: laura.johnson@rbkc.gov.uk

Cc: Barbara Matthews, Finance Director, TMO

346 Kensington High street
London
W14 8NS


fkafidiya@kctmo.org.uk

Dear Board Member,

Statement as to disclosure of information to the auditor

Pursuant to section 418 of the Companies Act 2006, the Directors' Report in the annual accounts has to contain a standard formal statement that:

- so far as each director (Board Member) 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 and recommended by the Group Finance, Audit and Risk Committee that each Board Member 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 20 July 2016.

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 Board Members 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 Board Member.

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

The auditors have confirmed to the Finance, Audit and Risk Committee 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 received by 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 by Wednesday 20 July 2016.

Yours sincerely,

Fola Kafidiya-Oke
Company Secretary

To the Company Secretary

Statement as to disclosure of information to the auditor

In connection with the audit of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited for year end 2015/16, 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.....

Kensington and Chelsea TMO Repairs Direct Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2016

Kensington and Chelsea TMO Repairs Direct Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Ms Sacha Jevans MCIH

Barbara Matthews FCMA

Mr Paul Mains

Eman Yosry

Executive Director

Executive Director

Non-Executive Director

Non-Executive Director

COMPANY SECRETARY

Fola Kafidiya-Oke FCIS

REGISTERED OFFICE

Network Hub

292a Kensal Road

London

W10 5BE

AUDITOR

RSM UK Audit LLP (formerly Baker Tilly UK

Audit LLP)

St Philips Point

Temple Row

Birmingham

B2 5AF

BANKERS

Lloyds Bank

P.O. Box 17328

11-15 Monument Street

London

EC3V 9JA

SOLICITORS

Devonshires Solicitors

30 Finsbury Circus

London

EC2M 7DT

Kensington and Chelsea TMO Repairs Direct Limited

REPORT OF THE DIRECTORS

The directors submit their report and the financial statements of Kensington and Chelsea TMO Repairs Direct Limited (the Company) for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The company has been providing a repairs service to The Royal Borough of Kensington & Chelsea Tenant Management Organisation (KCTMO) since 2 September 2013. The company is now in its second full year of trading.

The company's principal activity during this period has been to deliver a responsive repairs and voids service for KCTMO on the Royal Borough of Kensington & Chelsea (RBKC) housing stock. Services are delivered within 4 work streams;

- Repairs
- Voids
- Capital
- Aids and Adaptations

During the year the original contract agreed between the KCTMO and the Company, a JTC Measured Term Contract 2011 utilising the M3 National Housing Federation Schedule of Rates for measure and valuation purposes, was reviewed and a revised pricing arrangement was agreed. The new pricing agreement recognises the unique one contract supply arrangement that the company has with the KCTMO and is a cost plus arrangement to ensure the company maintains sufficient reserves for future growth.

REVIEW OF THE BUSINESS

A mixture of direct employees and specialist subcontractors deliver the repairs contract with predominantly subcontractors delivering other work streams. There are 30 staff and operatives currently employed delivering in 2015/16 a total of 20,389 responsive repairs and 405 voids works to 9,862 dwellings. (During the year the direct employed staff were supported by a number of consultants and interim staff not included in the staff numbers above.)

Open Contractor ICT system is utilised to manage repairs delivery with a Direct Reporting System (Opti-Time) as the scheduling and planning tool for appointment administration. Support services including Finance, ICT, Human Resources, Facilities Management, Health and Safety, PR & Communication, and Company secretarial are provided by the KCTMO further to a service recharge agreements with the company incurring a central office overhead contribution for these functions. This arrangement has continued to work well, promoted collaboration and improved communication and contributed to the excellent service provided to date. Stakeholders are engaged through a structured meeting framework including a Resident Forum with customer focus as the driver for change. This has provided support and contributed to the development of the company through regular positive communication with residents.

Key performance indicators are used to measure and manage the repairs delivery with consistent improvement in all areas, customer satisfaction currently at 97% (2015: 96%), repairs completed in target at 96% (2015: 95%) and quality rising to 92% (2015: 91%). Complaints have fallen again during the year as the Company has seen improvement of jobs being completed right first time.

The Company's continuing objective is to deliver a high quality reliable service for its customers, maintain and repair their homes and provide value for money to the freeholder RBKC, providing the platform for a more efficient, sustainable service to aid further growth delivery. With the company completing almost 23,269 (compared to 22,825 in 2014/15) repair jobs on the housing stock in this period. In future years' management are planning to operate utilising more in-house provision placing less reliance on subcontractors for routine jobs and using specialists only when required. This will support the Company's drive to provide efficiency savings and value for money.

The turnover for the year was £6,085k (2015: £5,666k), returning an Operating Profit of £162k (2015: £48k). The Cash at bank on the 31st March 2016 was £170k (2015: £314k).

Kensington and Chelsea TMO Repairs Direct Limited

REPORT OF THE DIRECTORS

During the year the Company made a repayment of £101k against the interest free set up loan provided by the parent company. It is expected that with the profits generated over the coming years, the full loan amount of £626k will be repaid within five years from the grant of loan.

FUTURE DEVELOPMENTS

During the early part of the year senior management of the Company was provided by interim staff put in place to develop the future strategy and manage the operational improvements. In January 2016 the Company appointed a new Managing Director and in March the parent company appointed a new Chair of the Board of the Company who together with the Company executive team developed a Business and Financial Plan for 2016 to 2021 for the Company. The Plan has 3 strategic priorities:

- Service delivery – services to be more responsive and customer led, including a system offering 2-hour appointment slots, including evenings and weekends, more appointments attended by in-house operatives to improve quality and provide a well trusted, familiar service, a self-service system allowing customer to book and track progress on repairs.
- Growth – development of services for paying customers, including to leaseholders and homeowners both in blocks and estates where the parent company operates and elsewhere across the Borough of Kensington & Chelsea, a handyman service to tenants in RBKC properties, services to other landlords, repairs services for schools, hospitals and other public services. Initially these services will be developed for properties within the Borough of Kensington & Chelsea but the Company also has aspirations to extend this outside the Borough.
- Profit – required to maintain viability and to invest in resources and infrastructure to support the business and its growth drive.

DIRECTORS

The following directors have held office since 1 April 2015:

Ms S Jevans	Executive Director	
Mrs B Matthews	Executive Director	(appointed 12 June 2015)
Mr A Parkes	Executive Director	(resigned 12 June 2015)
Mr P Woodham	Non-Executive Director	(resigned 28 July 2015)
Mr P Mains	Non-Executive Director	(appointed 31 March 2016)
Mrs E Yosry	Non-Executive Director	(appointed 1 September 2015)

THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

AUDITOR

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) have indicated their willingness to continue in office.

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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the Board on 14 July 2016.

 Fola Kafidiya-Oke FCIS
Company Secretary

Kensington and Chelsea TMO Repairs Direct Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF KENSINGTON AND CHELSEA TMO REPAIRS
DIRECT LIMITED

We have audited the financial statements on pages 6 to 13. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 4, 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 Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

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 2016 and of its profit 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 and, based on the work undertaken in the course of our audit, the Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a strategic report or in preparing the directors' report.

STEPHANIE WARBOYS (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor

Chartered Accountants

St Philips Point

Temple Row

Birmingham

B2 5AF

Kensington and Chelsea TMO Repairs Direct Limited

INCOME STATEMENT

For the year ended 31 March 2016

	<i>Notes</i>	2016 £	2015 £
TURNOVER		6,084,884	5,666,278
Cost of sales		(4,590,976)	(4,475,250)
GROSS PROFIT		<u>1,493,908</u>	<u>1,191,028</u>
ADMINISTRATIVE EXPENSES		(1,333,855)	(1,143,025)
Other operating income		<u>2,131</u>	<u>5</u>
OPERATING PROFIT		162,184	48,008
Interest Payable on Loan		<u>(32,646)</u>	<u>(34,096)</u>
PROFIT BEFORE TAXATION	2	129,538	13,912
Taxation	5	<u>(28,819)</u>	<u>(20,719)</u>
PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		<u><u>100,719</u></u>	<u><u>(6,807)</u></u>

Kensington and Chelsea TMO Repairs Direct Limited

BALANCE SHEET

As at 31 March 2016

Company Registration Number: 8375353

		2016	2015
	Notes	£	£
FIXED ASSETS			
Tangible assets	6	26,005	35,763
Intangible assets	7	153,883	220,809
		<u>179,888</u>	<u>256,572</u>
CURRENT ASSETS			
Stocks		6,833	6,833
Debtors	8	573,117	899,751
Cash at bank and in hand		170,421	313,817
		<u>750,371</u>	<u>1,220,401</u>
CREDITORS: amounts falling due within one year	9	<u>(393,494)</u>	<u>(961,613)</u>
NET CURRENT / ASSETS		<u>356,877</u>	<u>258,788</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>536,765</u>	<u>515,360</u>
CREDITORS			
Amounts falling due after more than one year	10	(475,693)	(544,101)
PROVISIONS FOR LIABILITIES	11	<u>(5,960)</u>	<u>(16,866)</u>
NET LIABILITIES		<u>55,112</u>	<u>(45,607)</u>
CAPITAL AND RESERVES			
Called up share capital		1	1
Capital contribution		115,997	115,997
Retained earnings		<u>(60,886)</u>	<u>(161,605)</u>
SHAREHOLDERS' FUNDS		<u>55,112</u>	<u>(45,607)</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements on pages 6 to 13 were approved and authorised for issue by the board on 14 July 2016 and signed on its behalf by:

Name:
Director

Name:
Director

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1 ACCOUNTING POLICIES

GENERAL INFORMATION

Kensington and Chelsea TMO Repairs Direct Limited ("the Company") is a private company limited by shares incorporated in England. The registered office address of the Company is Network Hub, 292a Kensal Road, London, W10 5BE.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime, and under the historical cost convention, modified to include certain financial instruments at fair value. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

FIRST TIME ADOPTION OF FRS 102

These financial statements are the first financial statements the Company has prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) as applied to smaller entities by the adoption of Section 1A of FRS 102. The financial statements of the Company for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised in retained earnings at the transition, details are included in Note 15.

GOING CONCERN

The financial statements have been prepared on the going concern basis. The cash at bank is £170k and there are no external borrowings. The directors have reviewed forecasts and cashflows to establish that the going concern basis is appropriate. The Company has full support from The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited as its parent company.

TANGIBLE FIXED ASSETS

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset to its estimated residual value on a straight line basis over its expected useful life, as follows:-

Office furniture & fit out	20%
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STOCKS AND WORK IN PROGRESS

Stocks is valued at the lower of cost and net realisable value, cost is determined using cost price.

Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

INTANGIBLE FIXED ASSETS

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

1 ACCOUNTING POLICIES

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Computer Software	20 - 33%
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Amortisation is revised prospectively for any significant change in useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

TAXATION

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from profit for the year because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and profit for the year that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

LEASED ASSETS

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

RETIREMENT BENEFITS

For defined contribution schemes the amount charged to the profit or loss in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

TURNOVER AND OTHER OPERATING INCOME

Turnover and other operating income are recognised at the fair value of the consideration received or receivable for sale of services in the ordinary nature of the business. Turnover and other operating income are shown net of Value Added Tax for services provided to external customers.

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

1 ACCOUNTING POLICIES

FINANCIAL INSTRUMENTS

Borrowings

All loans will be recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at fair value through profit or loss. Fair value has been determined through the present value of future cash

2	PROFIT BEFORE TAXATION	2016	2015
		£	£

Profit before taxation is stated after charging:

Amortisation		66,926	66,896
Depreciation		9,758	9,758
Auditor's remuneration	- for statutory audit	6,000	8,090
	- for other services	5,685	1,025
		<u>11,685</u>	<u>9,115</u>

3	EMPLOYEES	2016	2015
		Number	Number

The average number of persons employed in the reporting period was:

<u>30</u>	<u>42</u>
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4	DIRECTORS' REMUNERATION	2016	2015
		£	£
	Remuneration paid to directors	106,897	96,193
	Compensation for loss of office	-	65,000

<u>106,897</u>	<u>161,193</u>
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	No	No
Number of directors accruing retirement benefits under:		
Defined contribution schemes	<u>1</u>	<u>1</u>

The other three Executive Directors are not remunerated in respect of their services to the Company.

5	TAXATION	2016	2015
		£	£
	Current tax		
	UK corporation tax on profit for the year	41,489	1,764
	Over provision in prior year	(1,764)	-
	Deferred tax		
	Origination and reversal of timing differences	<u>(10,906)</u>	<u>18,955</u>
	Tax charge on Profit on ordinary activities	<u>28,819</u>	<u>20,719</u>

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

6 TANGIBLE FIXED ASSETS

	Office Furniture & Fit Out £	Total £
Cost:		
At 1 April 2015 and 31 March 2016	<u>48,788</u>	<u>48,788</u>
Depreciation:		
At 1 April 2015	13,025	13,025
Charge for the year	<u>9,758</u>	<u>9,758</u>
At 31 March 2016	<u>22,783</u>	<u>22,783</u>
Net Book Value		
At 31 March 2016	<u>26,005</u>	<u>26,005</u>
At 31 March 2015	<u>35,763</u>	<u>35,763</u>

7 INTANGIBLE FIXED ASSETS

	Computer Software £	Total £
Cost:		
At 1 April 2015 and 31 March 2016	<u>325,994</u>	<u>325,994</u>
Amortisation:		
At 1 April 2015	105,185	105,185
Charge for the year	<u>66,926</u>	<u>66,926</u>
At 31 March 2016	<u>172,111</u>	<u>172,111</u>
Net Book Value		
At 31 March 2016	<u>153,883</u>	<u>153,883</u>
At 31 March 2015	<u>220,809</u>	<u>220,809</u>

8 DEBTORS

	2016 £	2015 £
Amounts falling due within one year		
Trade debtors	522,021	157,048
Prepayments and accrued income	<u>51,096</u>	<u>742,703</u>
	<u>573,117</u>	<u>899,751</u>

9 CREDITORS: amounts falling due within one year

	2016 £	2015 £
Payments received on account	-	434,874
Trade creditors	212,335	25,732
Corporation tax	41,489	1,765
Other taxes and social security	115,303	288,692
Accruals and deferred income	<u>24,367</u>	<u>210,550</u>
	<u>393,494</u>	<u>961,613</u>

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

10 CREDITORS: Amounts falling due after more than one year	2016 £	2015 £
Amounts owed to parent undertaking	475,693	544,101
	<u>475,693</u>	<u>544,101</u>

The loan from the parent undertaking is interest free, unsecured and has no fixed repayment terms but is not repayable before 31 March 2018.

11 PROVISION FOR LIABILITIES	2016 £	2015 £
Balance at 1 April 2015	(16,866)	2,089
Credited/(charged) to income statement in year	<u>10,906</u>	<u>(18,955)</u>
Balance at 31 March 2016	<u>(5,960)</u>	<u>(16,866)</u>

A deferred tax liability has been recognised as follows
Accelerated capital allowances

<u>(5,960)</u>	<u>(16,866)</u>
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12 COMMITMENTS UNDER OPERATING LEASES	2016 £	2015 £
At 31 March 2016 the total future minimum lease payments under non-cancellable operating leases as follows:		
Within one year	88,806	88,806
Between two and five years	<u>125,808</u>	<u>214,614</u>
	<u>214,614</u>	<u>303,420</u>

13 FINANCIAL INSTRUMENTS

The carrying amount of each category of the company's financial instruments held at fair value through profit or loss at 31 March were:

	2016 £	2015 £
Financial liabilities measured at fair value through profit or loss:		
Loan from parent undertaking	<u>475,693</u>	<u>544,101</u>
Total	<u>475,693</u>	<u>544,101</u>

Kensington and Chelsea TMO Repairs Direct Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

14 CONSOLIDATED ACCOUNTS

The company's parent undertaking and controlling party is The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited, which is incorporated in England and Wales. The results of this company are included within the consolidated financial statements of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited, copies of which are available from its registered office: Network Hub, 292A Kensal Road, London, W10 5BE

15 FIRST TIME ADOPTION OF FRS 102

Reconciliations and descriptions of the effect of the transition to FRS 102 on:

- (i) the company equity at the date of transition to FRS 102;
- (ii) the company equity at the end of the comparative period; and
- (iii) the company profit or loss for the comparative period reported under previous UK GAAP are given below

RECONCILIATION OF COMPANY EQUITY	Notes	1 April 2014 £	31 March 2015 £
Company equity as previously reported under previous GAAP		(154,797)	(127,509)
Fair value gains on amounts owed to group	A	115,997	81,902
Company equity reported under FRS 102		<u>(38,800)</u>	<u>(45,607)</u>
RECONCILIATION OF COMPANY PROFIT OR LOSS			Year ended 31 March 2015 £
Company profit as previously reported under previous GAAP			27,289
Interest on amounts owed to group	A		<u>(34,096)</u>
Company loss reported under FRS 102			<u>(6,807)</u>

A - Loan from Parent Company

Under FRS 102 the interest free loan from the parent company has been included at fair value, as a capital contribution being the present value of future cashflows. This results in an interest charge being recognised in the income statement.

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“the Company”)**

Confidential

For Decision

Board Report 20th July 2016

Report title:	Contract Approval – Estate Cleaning Services
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Authority for decision:	The Board has the authority to approval the award of contracts over the value of £1m
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Recommendations:	<p>It is recommended that the Board consider the contents of this report and upon due consideration, pass resolutions in the following form:</p> <p>“The Board RESOLVED TO:</p> <ul style="list-style-type: none">(i) agree and approve the award of the borough-wide estate cleaning services contract to OCS Group UK (“OCS”) subject to the satisfactory conclusion of:<ul style="list-style-type: none">(a) the leaseholder consultation process; and(b) the mandatory “standstill period.(ii) authorise the entry into a contract for services in respect of the borough-wide estate cleaning services, by and between the Company and OCS Group UK with effect from the latter of the occurrence of the date of completion of the leaseholder consultation process and the mandatory standstill period;(iii) authorise any two members of the Executive Team or a member of the Executive Team and the Company Secretary to execute the contract for services (and any ancillary documentation required) in respect of the borough-wide estate cleaning services for and on behalf of the Company upon satisfactory conclusion of the leaseholder consultation process; and the mandatory “standstill period.
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Regulatory/legal requirements:	The Board is required to promote the success of the Company and ensure that the Company complies with procurement law and principles.
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Business Plan link:	Delivering Excellent Customer Service.
Equality Assessment/comment:	Impact N/A
Resident consultation:	The views and expectations of residents were represented by a panel of residents during the procurement process.
Resource implications/VFM statement:	NA
Risk:	The risks applicable are set out in the report.
Appendices:	1
Total number of pages including appendices:	10
Name, position and contact details of author:	Sacha Jevans, Executive Director Operations Ext [REDACTED]

1 PURPOSE

- 1.1 This report recommends that, subject to the satisfactory conclusion of the mandatory leaseholder consultation process and the “standstill period” the contract is awarded to OCS Group UK (“OCS”).

2.0 BACKGROUND

- 2.1 The current term contract for cleaning the general housing blocks expires on the 30th September 2016. Separate ad hoc arrangements are in place for cleaning the sheltered accommodation and community centres and notice has been given that the existing arrangements will cease on the 30th September. The cleaning services are currently provided by OCS with the exception of Nursery Lane where KCTMO employs a cleaner.
- 2.2 A procurement exercise has been undertaken, in accordance with EU Regulations, for the appointment of a service provider to undertake the cleaning services. The scope of the contract will include general housing blocks, sheltered blocks, community centres and removal of bulk refuse items. Subject to the successful conclusion of the leaseholder consultation process and approval of the Board, it is proposed that the new arrangements will commence on Monday 3rd October 2016.
- 2.3 The form of contract will be TPC 2008. The contract will have an initial duration of 5 years with an option, to be exercised at the discretion of KCTMO, to extend for a further 5 years.
- 2.3 Following a notice placed in the OJEU 46 service providers expressed an interest in the opportunity of which 15 returned completed PQQs. A comprehensive report outlining the PQQ evaluation process is on file.
- 2.4 On the 2nd March 2016 the following five service providers were invited to tender:
 - a) Hi-Spec Facilities Services Plc
 - b) Pinnacle Housing Limited
 - c) Accuro Environmental Limited
 - d) OCS Group UK Limited “OCS”
 - e) Lewis and Graves Partnership Limited

- 2.5 On the 12th April 2016 tenders were received from all of the above with the exception of Lewis and Graves Partnership Limited.
- 2.6 The Invitation to Tender stated that the tenders would be evaluated on the basis of 60% quality and 40% cost. The quality element of the evaluation was based on:
- a) The responses to the Tender Questions (55%) (The Tender Questionnaire is set out in Appendix 2); and
 - b) An interview (5%) (The interview questions are set out in Appendix 3).
- 2.7 The breakdown of the weightings for both commercial and quality submissions is as follows:
- 2.8 The weightings for the quality submission
- 2.8.1 The breakdown of the weightings for the responses to the Tender Questionnaire is as follows:

A	Service Delivery	Weighting
A.1	Mobilisation	7.5%
A.2	Provision of a reliable service with adequate resources	7.5%
A.3	Provision of a quality service	7.5%
A.4	Provision of a responsive service	
A.4.1	Resources to achieve response times	2.5%
A.4.2	Procedures to achieve response times	2.5%
A.5	Contract management	5%
A.6	Continual improvement	5%
B	Employment skills and social value	
B.1	Promotion and support of local employment and community initiatives	5%
B.2	Training and support for Staff	5%
C	Environmental health and safety	
C.1	Management of health and safety	2.5%
C.2	Management of environmental issues	5%

- 2.8.2 The breakdown of the weightings for the interview is as follows

Working in sheltered blocks	1.5%
Customer feedback / managing performance	2.0%
Innovation	1.5%

- 2.9 The weightings for the commercial submission
- 2.9.1 Cost evaluation, being 40% of the total score, was on the basis that the lowest compliant bid would be awarded 100% of the available commercial score, with the remaining tenders being adjusted by the same percentage differential; thus a tender twice as high as the lowest bid would achieve a score of 20%, as opposed to the lowest bid's score of 40%.

2.9.2 The interviews were all held on the 20th April 2016 at the offices of KCTMO. The service providers attended separately at pre-arranged interview times. All service providers were asked the same questions and had the same time available to respond. There were no ancillary questions. The interviews were, with the consent of the service providers, audio recorded.

2.9.3 The weighted quality scores for each service provider were as follows:

Questionnaire	Weighting	Accuro	Pinnacle	OCS	Hi-Spec
A Service Delivery					
A.1 Mobilisation	7.5%	4.5%	4.5%	4.5%	3%
A.2 Provision of a reliable service	7.5%	4.5%	3%	4.5%	3%
A.3 Provision of a quality service	7.5%	3%	4.5%	4.5%	3%
A.4 Provision of a responsive service					
A.4.1 Resources to achieve response times	2.5%	1.50%	0.50%	1.5%	0.50%
A.4.2 Procedures to achieve response times	2.5%	1.5%	1%	1.5%	1%
A.5 Contract management	5%	2%	2%	3%	1%
A.6 Continual improvement	5%	2%	2%	3%	1%
B Employment skills and social value					
B.1 Promotion and support of local employment and community initiatives	5%	2%	3%	3%	1%
B.2 Training and support for Staff	5%	3%	3%	4%	2%
C Environmental health and safety					
C.1 Management of health and safety	2.5%	1%	1%	2%	0.50%
C.2 Management of environmental issues	5%	3%	2%	3%	2%
Interview					
Managing sheltered blocks	1.5%	1.2%	0.9%	1.2%	1.2%
Customer feedback	2%	1.6%	1.2%	2%	0.8%
Innovation	1.5%	0.3%	0.6%	1.5%	0.6%
Total quality score		31.1%	29.2%	39.2%	20.6%

2.9.4 The commercial submission from the service providers is as follows:

	Accuro	Pinnacle	OCS	Hi-Spec
Commercial	40.00%	35.08%	34.03%	34.46%

2.9.5 The combined quality and cost weighted scores for each of the service providers is as follows:

	Accuro	Pinnacle	OCS	Hi-Spec
Quality	31.10%	29.20%	39.20%	20.60%
Commercial	40.00%	35.08%	34.03%	34.46%
Total	71.10%	64.28%	73.23%	55.06%

2.9.6 The prices submitted are as follows:

	Accuro	Pinnacle	OCS	Hi-Spec
General Properties	2,035,936.35	2,353,214.90	2,638,444.35	2,474,501.43
Sheltered Properties	68,252.03	135,797.16	63,886.84	35,376.54
Schedule of Rates	328,556.97	283,000.21	200,050.28	355,297.23
Community Centres	47,268.00	55,487.21	11,994.63	13,514.80
Totals	2,480,013.35	2,827,499.48	2,914,376.00	2,878,690.00

2.10 A full report of the tender evaluation process is on file.

3.0 COSTS

- 3.1 The prices for the community centres are, on average, less than the prices currently being paid.
- 3.2 The prices for the sheltered properties are similar to the current prices and there is adequate allowance in the operating budget
- 3.3 The prices for the general housing blocks show an increase compared with the prices currently being paid. This is due to:
 - a) The requirement placed on the service provider to pay the London Living Wage;
 - b) An increase in the scope of work; to include sweeping and mopping the walk ways (as requested by residents); and
 - c) The service provider's review and repricing of the services (this was last competitively tendered in 2006).
- 3.4 The total OCS price for the general housing blocks is £2,638,444.35 compared with £2,071,315.15 in 2014 – 2015 (an increase of 27.39%).

4.0 RISKS

The following risks have been identified:

4.1 Objections from leaseholders due to the increase in costs.

- 4.1.1 There is an overall increase in costs across the borough with the prices submitted for some specific blocks showing a significant increase. For example, the annual price for cleaning Silchester Estate will increase from the current price of £171k to the tendered price of £250k.
- 4.1.2 To mitigate the risk an explanation is being prepared in the format of "Frequently Asked Questions" which will accompany the leaseholder stage two notices.

4.2 A challenge from an unsuccessful bidder

- 4.2.1 The scores awarded to the two highest bidders, Accuro (71.10%) and OCS (73.23%) are very close which increases the risk of a challenge to the procurement process.
- 4.2.2 To mitigate the risk, the process has been carefully documented so that there is robust evidence to dispute any claim

4.3 Limited mobilisation period

- 4.3.1 As the preferred service provider is the incumbent provider this risk is reduced. However, there is still a limited period from formal appointment to the commencement of the service. In this period there needs to be liaison in relation to the revisions to the scope of work.

5.0 LEASEHOLDER CONSULTATION

- 5.1 Leaseholders were consulted prior to the opportunity being advertised. The leaseholder observations and the responses from KCTMO are set out in Appendix 1.
- 5.2 The second stage consultation with leaseholders will commence on the 26th July and this will be complete the 30th August. It is requested that the Board delegates to the Executive Team the role of reviewing any leaseholder observations and the responses from KCTMO in relation to this second stage consultation and, subject to these being satisfactory, confirming the award of the contract.

Observations from leaseholders in relation to the initial consultation and the responses from KCTMO

The TMO received observations from 13 leaseholders as follows. In response to each is the TMO's response.

- (1) Observation: Leaseholder queried what is carried out during a Deep Clean; referencing particular issues regarding current standard of cleaning, and queried who inspects and monitors operative's work. Queried what tasks deep clean operatives carry out.

TMO's response: Explanation of what a deep clean entails and frequency of cleans. Responded to specific queries with relation to cleaning tasks carried out on the estate, with reference to how the monitoring is carried out currently. Provided attachment of the contract preambles; which outlines each deep clean task; explaining the expected standards of cleaning and instructions on what cleaning methods should be adopted to carry out each task.

- (2) Observation: Leaseholder queried whether internal walkways will be included within the new contract.

TMO's response: Confirmed that internal communal walkways will be included in the new cleaning contract for the individual's block.

- (3) Observation: Leaseholder confirmed that they did not wish to receive a cleaning service, as this is not currently provided.

TMO's response: Confirmed that property would not be included within the new cleaning contract.

- (4) Observation: Leaseholder raised issues with specific tasks carried out at the property as part of the current cleaning contract. Asked that due diligence was taken when procuring the new cleaning contract.

TMO's response: Responded to queries on specific current cleaning issues. Assurance given that due diligence will be taken.

- (5) Observation: Leaseholder queried how the new contract would provide value for money; and how minimum wage increases will be accounted for. Queried whether leaseholders will be consulted at the end of the first 5 year contract period prior to extension. Queried how fly tipping in areas near leaseholder's specific property would be dealt with.

TMO's response: Explained the procurement process and how value for money is included within this, as well as confirming that increases in minimum wage would be accounted for within tenderer's pricing model. Confirmed leaseholders will not formally be consulted after first 5year period of contract, stating that individuals

can raise concerns or issues throughout the contract term. Confirmed fly tipping outside individual leaseholder's property is on RBKC land and therefore needs to be reported directly to them.

- (6) Observation: Leaseholder queried procurement process, as well as requesting an explanation of what cleaning will be carried out at their specific block. Also queried length of new cleaning contract, how it will be monitored and how much extra leaseholders will be expected to pay.

TMO's response: Provided explanation of procurement process and breakdown of tasks which would be carried out at the specific block. Provided reasoning for the length of the contract, and how performance will be measured and monitored. Explained that the new cleaning contract charges will be given to leaseholders at later stage of the tendering process.

- (7) Observation: Leaseholder stated that they are currently satisfied with the provision of cleaning services and would not want this changed. The leaseholder would not have any objections to the new contract as long as the charges do not increase beyond those reasonable, once taking in to account inflation.

TMO's response: Confirmed that we did not expect charges to increase significantly, and that we are not looking to change the current cleaning schedule for this particular block.

- (8) Observation: Leaseholder raised request for one off clean unrelated to current contract or indeed the new contract.

TMO's response: Confirmed that request is not covered within the current cleaning contract or the new contract, however arranged for the requested clean to be carried out. The requested cleaning was the jet washing of a communal external area, which was not covered by the cleaning contract. Following the leaseholder's request, the TMO agreed to inspect the areas and arrange for the clean to take place if needed.

- (9) Observation: Leaseholder referred to environmental improvement works which were to be carried out in the near future at the property, and stated that it may be worth assessing the cleaning needs for the building once these are complete.

TMO's response: Confirmed that the environmental improvement works which would take place would not have an impact of the regular cleaning service to the block.

- (10) Observation: Leaseholder praised the current cleaner who cleans the block, and ask that any possible measures to ensure that the operative continues to work at the address should be carried out.

TMO's response: Confirmed that the operative's post would be guaranteed under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations, and that the request for the operative to remain at the address would be seriously considered once the new contract commences.

- (11) Observation: Leaseholder would like the property to be included in the new contract, as it is currently not covered within the existing cleaning contract.

TMO's response: Suggested that leaseholder should contact other residents in the block to find out if they shared this view.

- (12) Observation: Leaseholder queried whether specific areas which are currently not covered within the cleaning contract would be included within new contract.

TMO's response: Confirmed areas would not be included within the new contract as they are not communal areas accessed by residents; confirmed however that the Estate Service Assistant would continue to monitor areas and request one-off cleans as and when needed.

- (13) Observation: Leaseholder expressed that they felt the supervision of the new contract should be improved, to ensure tasks which are outlined in the cleaning schedule are carried out.

TMO's response: Confirmed that the awarded contractor's performance would be monitored; to ensure that tasks are carried out as scheduled and that expected standards of cleanliness are met.

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“the Company”)**

Confidential

For Decision

Board Report 20th July 2016

Report title:	Contract Approval – Estate Cleaning Services
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Authority for decision:	The Board has the authority to approval the award of contracts over the value of £1m
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Recommendations:	<p>It is recommended that the Board consider the contents of this report and upon due consideration, pass resolutions in the following form:</p> <p>“The Board RESOLVED TO:</p> <ul style="list-style-type: none">(i) agree and approve the award of the borough-wide estate cleaning services contract to OCS Group UK (“OCS”) subject to the satisfactory conclusion of:<ul style="list-style-type: none">(a) the leaseholder consultation process; and(b) the mandatory “standstill period.(ii) authorise the entry into a contract for services in respect of the borough-wide estate cleaning services, by and between the Company and OCS Group UK with effect from the latter of the occurrence of the date of completion of the leaseholder consultation process and the mandatory standstill period;(iii) authorise any two members of the Executive Team or a member of the Executive Team and the Company Secretary to execute the contract for services (and any ancillary documentation required) in respect of the borough-wide estate cleaning services for and on behalf of the Company upon satisfactory conclusion of the leaseholder consultation process; and the mandatory “standstill period.
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Regulatory/legal requirements:	The Board is required to promote the success of the Company and ensure that the Company complies with procurement law and principles.
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Business Plan link:	Delivering Excellent Customer Service.
Equality Assessment/comment:	Impact N/A
Resident consultation:	The views and expectations of residents were represented by a panel of residents during the procurement process.
Resource implications/VFM statement:	NA
Risk:	The risks applicable are set out in the report.
Appendices:	1
Total number of pages including appendices:	10
Name, position and contact details of author:	Sacha Jevans, Executive Director Operations Ext [REDACTED]

1 PURPOSE

- 1.1 This report recommends that, subject to the satisfactory conclusion of the mandatory leaseholder consultation process and the “standstill period” the contract is awarded to OCS Group UK (“OCS”).

2.0 BACKGROUND

- 2.1 The current term contract for cleaning the general housing blocks expires on the 30th September 2016. Separate ad hoc arrangements are in place for cleaning the sheltered accommodation and community centres and notice has been given that the existing arrangements will cease on the 30th September. The cleaning services are currently provided by OCS with the exception of Nursery Lane where KCTMO employs a cleaner.
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- 2.3 The form of contract will be TPC 2008. The contract will have an initial duration of 5 years with an option, to be exercised at the discretion of KCTMO, to extend for a further 5 years.
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- 2.5 On the 12th April 2016 tenders were received from all of the above with the exception of Lewis and Graves Partnership Limited.
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A.4	Provision of a responsive service	
A.4.1	Resources to achieve response times	2.5%
A.4.2	Procedures to achieve response times	2.5%
A.5	Contract management	5%
A.6	Continual improvement	5%
B	Employment skills and social value	
B.1	Promotion and support of local employment and community initiatives	5%
B.2	Training and support for Staff	5%
C	Environmental health and safety	
C.1	Management of health and safety	2.5%
C.2	Management of environmental issues	5%

- 2.8.2 The breakdown of the weightings for the interview is as follows

Working in sheltered blocks	1.5%
Customer feedback / managing performance	2.0%
Innovation	1.5%

- 2.9 The weightings for the commercial submission
- 2.9.1 Cost evaluation, being 40% of the total score, was on the basis that the lowest compliant bid would be awarded 100% of the available commercial score, with the remaining tenders being adjusted by the same percentage differential; thus a tender twice as high as the lowest bid would achieve a score of 20%, as opposed to the lowest bid's score of 40%.

2.9.2 The interviews were all held on the 20th April 2016 at the offices of KCTMO. The service providers attended separately at pre-arranged interview times. All service providers were asked the same questions and had the same time available to respond. There were no ancillary questions. The interviews were, with the consent of the service providers, audio recorded.

2.9.3 The weighted quality scores for each service provider were as follows:

Questionnaire	Weighting	Accuro	Pinnacle	OCS	Hi-Spec
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A.2 Provision of a reliable service	7.5%	4.5%	3%	4.5%	3%
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A.4 Provision of a responsive service					
A.4.1 Resources to achieve response times	2.5%	1.50%	0.50%	1.5%	0.50%
A.4.2 Procedures to achieve response times	2.5%	1.5%	1%	1.5%	1%
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B.1 Promotion and support of local employment and community initiatives	5%	2%	3%	3%	1%
B.2 Training and support for Staff	5%	3%	3%	4%	2%
C Environmental health and safety					
C.1 Management of health and safety	2.5%	1%	1%	2%	0.50%
C.2 Management of environmental issues	5%	3%	2%	3%	2%
Interview					
Managing sheltered blocks	1.5%	1.2%	0.9%	1.2%	1.2%
Customer feedback	2%	1.6%	1.2%	2%	0.8%
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Total quality score		31.1%	29.2%	39.2%	20.6%

2.9.4 The commercial submission from the service providers is as follows:

	Accuro	Pinnacle	OCS	Hi-Spec
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2.10 A full report of the tender evaluation process is on file.

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- 3.1 The prices for the community centres are, on average, less than the prices currently being paid.
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4.0 RISKS

The following risks have been identified:

4.1 Objections from leaseholders due to the increase in costs.

4.1.1 There is an overall increase in costs across the borough with the prices submitted for some specific blocks showing a significant increase. For example, the annual price for cleaning Silchester Estate will increase from the current price of £171k to the tendered price of £250k.

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5.0 LEASEHOLDER CONSULTATION

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- (2) Observation: Leaseholder queried whether internal walkways will be included within the new contract.

TMO's response: Confirmed that internal communal walkways will be included in the new cleaning contract for the individual's block.

- (3) Observation: Leaseholder confirmed that they did not wish to receive a cleaning service, as this is not currently provided.

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- (4) Observation: Leaseholder raised issues with specific tasks carried out at the property as part of the current cleaning contract. Asked that due diligence was taken when procuring the new cleaning contract.

TMO's response: Responded to queries on specific current cleaning issues. Assurance given that due diligence will be taken.

- (5) Observation: Leaseholder queried how the new contract would provide value for money; and how minimum wage increases will be accounted for. Queried whether leaseholders will be consulted at the end of the first 5 year contract period prior to extension. Queried how fly tipping in areas near leaseholder's specific property would be dealt with.

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can raise concerns or issues throughout the contract term. Confirmed fly tipping outside individual leaseholder's property is on RBKC land and therefore needs to be reported directly to them.

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TMO's response: Provided explanation of procurement process and breakdown of tasks which would be carried out at the specific block. Provided reasoning for the length of the contract, and how performance will be measured and monitored. Explained that the new cleaning contract charges will be given to leaseholders at later stage of the tendering process.

- (7) Observation: Leaseholder stated that they are currently satisfied with the provision of cleaning services and would not want this changed. The leaseholder would not have any objections to the new contract as long as the charges do not increase beyond those reasonable, once taking in to account inflation.

TMO's response: Confirmed that we did not expect charges to increase significantly, and that we are not looking to change the current cleaning schedule for this particular block.

- (8) Observation: Leaseholder raised request for one off clean unrelated to current contract or indeed the new contract.

TMO's response: Confirmed that request is not covered within the current cleaning contract or the new contract, however arranged for the requested clean to be carried out. The requested cleaning was the jet washing of a communal external area, which was not covered by the cleaning contract. Following the leaseholder's request, the TMO agreed to inspect the areas and arrange for the clean to take place if needed.

- (9) Observation: Leaseholder referred to environmental improvement works which were to be carried out in the near future at the property, and stated that it may be worth assessing the cleaning needs for the building once these are complete.

TMO's response: Confirmed that the environmental improvement works which would take place would not have an impact of the regular cleaning service to the block.

- (10) Observation: Leaseholder praised the current cleaner who cleans the block, and ask that any possible measures to ensure that the operative continues to work at the address should be carried out.

TMO's response: Confirmed that the operative's post would be guaranteed under the Transfer of Undertakings (Protection of Employment) (TUPE) Regulations, and that the request for the operative to remain at the address would be seriously considered once the new contract commences.

- (11) Observation: Leaseholder would like the property to be included in the new contract, as it is currently not covered within the existing cleaning contract.

TMO's response: Suggested that leaseholder should contact other residents in the block to find out if they shared this view.

- (12) Observation: Leaseholder queried whether specific areas which are currently not covered within the cleaning contract would be included within new contract.

TMO's response: Confirmed areas would not be included within the new contract as they are not communal areas accessed by residents; confirmed however that the Estate Service Assistant would continue to monitor areas and request one-off cleans as and when needed.

- (13) Observation: Leaseholder expressed that they felt the supervision of the new contract should be improved, to ensure tasks which are outlined in the cleaning schedule are carried out.

TMO's response: Confirmed that the awarded contractor's performance would be monitored; to ensure that tasks are carried out as scheduled and that expected standards of cleanliness are met.

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“the Company”)**

Open	
For Decision	
Board Report 20 July 2016	
Report title:	ICT Strategy 2016/17 to 2018/19
Authority for decision:	The Board is responsible for setting the strategic direction of the Company
Recommendations:	It is recommended that the Board consider the contents of this report and pass a resolution approving the ICT Strategy for 2016/17 to 2018/19
Regulatory/legal requirements:	It is best practice for the Company to put in place an ICT strategy which supports the aspirations of the Company through the approved business plan. The strategy should be reviewed annually in line with the business plan review to ensure it continues to serve its purpose for the Company.
Business Plan link:	Customer service, value for money and growth
Equality Assessment/comment:	Impact No adverse effect for any group
Resident consultation:	Not Applicable
Resource implications/VFM statement:	The strategy implementation plan has been considered to ensure the plan can be achieved with the available staff resources, Any changes or additions will impact on resource availability and completion of the actions in the plan
Risk:	Failure to invest in ICT will restrict future technology capabilities and development to support the Company's business aspirations.
Appendices:	1
Total number of pages including appendices:	40
Name, position and contact details of author:	Barbara Matthews, Executive Director of Financial Services & ICT and Nurul Miah, Head of ICT

1. INTRODUCTION

- 1.1 The ICT strategy attached at Appendix 1 has been presented to provide the Board with a strategic overview of the current ICT provision to the Company and its subsidiary Repairs Direct and the proposed direction over the next 3 years.
- 1.2 The ICT strategy supports the Company's business plan vision and mission, and strategic priorities and aims to ensure that ICT provision is not only a support service but as a business critical service supports the corporate strategic priorities.
- 1.3 There are a number of external factors which have been considered when shaping the strategy including increased use of mobile technology to support staff mobility, new leading edge (but not bleeding edge) technologies to improve business efficiencies (including the move to more use of Cloud technology) and improvement to systems and data security.
- 1.4 The strategy document includes a high level priorities implementation plan outlining the current position and the proposed action over the next 3 years. The plan assumes the current staff resources continue at the current level. The Board should also note that any changes or additions to the plan will impact on the delivery of this strategy.
- 1.5 The appendices in the strategy include a glossary of common terms used, the ICT organisation structure and the roles of the teams, the network infrastructure, business systems in operation (by company), and system diagrams to show the complexity of interactions including those linked to RBKC systems.
- 1.6 The Executive Team have reviewed and agreed the strategy and the document was also reviewed by Simon Brissenden.

2 RECOMMENDATION

- 2.1 The Board is requested to consider the ICT Strategy for 2016/17 to 2018/19 and agree to the recommendations set out on the first page of the report.



The Royal Borough of Kensington & Chelsea Tenant Management Organisation Limited

ICT Strategy 2016-2019

DRAFT

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1 Introduction

Today businesses critically depend on ICT systems and the data they have cultivated. These systems provide a business with the ability to communicate with staff, customers and partners; they enable us to manage complex relationships and to monitor operational performance. ICT also has the ability to transform the way services are organised and delivered. It has a fundamental role to play in improving efficiency, reducing cost across the organisation and supporting organisational change and development.

The aim of the ICT strategy is to provide a strategic overview of the current ICT provision and where the TMO hope to get to over a 3 year period (2016 – 2019). The TMO Business Plan 2014-2017 was agreed by the Board in July 2014 and set out the vision and mission for the company, as well as strategic priorities for the next 3 years.

This strategy is also intended to be a flexible and working document that will be regularly reviewed and updated on an annual basis to reflect changes in technology, policies and service requirements.

1.1. Background

The TMO manage around 10,000 properties for the Royal Borough of Kensington and Chelsea. As part of the growth strategy, in 2013 TMO decided to bring the repairs service in-house by setting up a wholly owned subsidiary (Repairs Direct) to manage responsive repairs.

The systems required by the subsidiary are managed and supported by the TMO ICT department.

A glossary of terms has been included in the Appendices in section 9 at Appendix A.

Introduction to the ICT department and an organisational chart for the ICT team is included in the Appendices in section 11 at Appendix B.

Information on the TMO and Repairs Direct systems, technologies used to safeguard TMO's valuable data, and the network infrastructure is also included in section 9 at Appendix C.

1.2. Purpose of the ICT strategy

ICT is no longer just a support service; it has become a business critical service at the heart of the business. This strategy sets out our ICT objectives in line with the company's aims, business plan and the five corporate strategic priorities. These are as follows:

- Customers at the heart
- Fantastic people work here
- Invest to make great homes and communities
- Deliver excellent good value services
- Grow our scale and scope

The ICT strategy is the road map for the delivery of ICT services over the next three years and will be reviewed annually as part of objective setting, in order to ensure that ICT

continues to meet the organisation's strategic objectives, as well as taking into account any business or legislative changes and availability of funding.

The diagram below illustrates Strategic priorities relationship to ICT strategy and directorate strategies



Figure 1: Strategic priorities relationship to ICT strategy and directorate strategies

1.2.1. Vision

Corporate vision - ***Our community – a great place to live***

The vision is an aspirational target and looks 10 years ahead. It recognises that the majority of the Board and the residents live in the borough and are part of the community we serve.

Overall, the ICT vision will be to support the TMO's objectives and provide modern, cost effective, integrated ICT systems that maximise the potential for the TMO to deliver quality services to our customers.

1.2.2. Mission

Delivering excellent services through resident-led management.

The mission is a realistic target and looks at some 5 years ahead. The mission reflects the fact that the TMO already delivers much more than housing services (such as resident training, employment, welfare reform support, commercial property management, community alarm services) and there is an aspiration for us to do more.

The approach detailed within this ICT strategy serves to help under-pin the overall mission of TMO, so that the business needs of the organisation, rather than the available technologies, drive the ICT strategy.

2. Strategic Priorities

To support this vision, the ICT Strategy builds on the platform established in previous years and the current development of the way ICT services are delivered. The key focus will be on effectively supporting and enabling achievement of strategic objectives and priorities as efficiently and economically as possible. We will continue to seek improvements in the performance, and in the accessibility of services provided.

3. Strategic direction

The strategic direction of the ICT strategy is driven by the strategic aims of the organisation as stated in the five corporate strategies and the business plan. There are also several

external factors which need to be taken into account when shaping the strategy, and these are as follows:

- Increasing prevalence of mobile technology and its impact on staff mobility, leading to improved ways of working
- Reviewing technology and market trends to assist in providing the business with improved service effectiveness and process efficiencies, utilising both existing technologies and emerging developments which may impact future ICT strategy, using leading edge technology not necessarily bleeding edge technology.
- All business data must have a business owner, be secure and be fully managed. The data must also be maintained and reviewed periodically to ensure data accuracy. TMO master data needs to be accurate as systems are development and become further integrated, to provide a more comprehensive solution to all staff
- The need to improve overall customer experience
- The requirements of the annual internal security audit should be met, to ensure data is secure. System penetration testing will also be included after any major changes to systems and/or network infrastructure

4. Information Principles

The information we hold regarding our residents and properties are assets that need to be maintained and stored securely, electronically or otherwise. ICT will ensure that access is kept up-to-date and annually review user access on all our systems. Where possible, single sign on will be used to reduce the number of user accounts users are required to manage. Best practice and recommendations made during audit will be considered when applying security policy

- Information is a business asset which needs to be controlled and managed with the same degree of attentiveness as any other type of asset, such as facilities, people and money
- Information Systems belong to business users and not the ICT team. ICT is responsible for ensuring that the systems are functioning correctly
- The business process owner will be responsible for identifying any process changes that are required due to business and/or relation changes. ICT will ensure that the process is changed to reflect the business need
- Business data - The responsibility of making sure the information is accurate belongs to business users. It is advisable that lead business user(s) are identified for each system
- When implementing new systems, business users are responsible for identifying the business needs. ICT to ensure that the system chosen can be supported by the infrastructure
- Ensure we embed VFM in everything we do. E.g. procurement of software, hardware and services

5. Strategic Aims and implementation

The information tables below shows business strategic priorities, how ICT aims to deliver the strategic objectives and the ICT 3 year implementation plan. Resources and team structure have been determined to ensure this plan can be completed. Changes in or addition to the plan may require additional resources or amendments to planned activity. The plan also highlights the desirable and essential elements of each activity.

[E – Essential, D – Desirable]

Strategic aims	Current position	Work required	2016/17	2017/18	2018/19
Customer Strategy To deliver excellent services to our customers however they choose to access them, so that they deal with customer focused staff who take ownership of the customer enquiry and ensure that they are responded to courteously effectively and efficiently. The objectives for the strategy are: <ol style="list-style-type: none"> 1. Insuring that our service delivery is excellent 2. Providing a variety of access methods to suit customer needs 3. Using the latest technology to deliver joined up services Strategic objectives <ul style="list-style-type: none"> • Provide a variety of access methods to suit 	<p>A number of systems are used to manage and deliver our services. Interfaces and data loaders are used to ensure that all the system data is up to date across all our systems and easily accessible.</p> <p>Customers can request services over the telephone, via the website and customer portal</p> <p>There are several methods available to colleagues to access information, both locally from office based terminals and also via mobile devices such as tablets and smart phones. Colleagues are also able to login in securely using a secure VPN connection.</p> <p>Smart phones are being</p>	<ul style="list-style-type: none"> • Complete installation of Keystone- Capita Housing and Keystone-Keyfax interface, so that colleagues are provided with asset information at the point of logging a repair. • Complete the development of notes interfaces, to avoid the need to log onto multiple systems for information, and ensuring that all repair related information is available on Capita Housing and Open Contractor. The information will also interface with Microsoft CRM. • Customer First project (CRM): Provide a 360 degrees view of customer information to all colleagues, as well as a Knowledge Base - to share information, guidance and procedures. Case based workflows will manage and track processes, and bespoke data fields will allow colleagues to store extra information. It should also ensure secure access to customer information. • Review suitability of current resident portal in line with the service delivery objectives. <ul style="list-style-type: none"> • Smart device (smart phones, tablets) friendly website or a mobile app • Increase the number of services available via the resident portal. • Provide audience-based announcements e.g. by post code, block, estate, area • Move all VPN users to SSL VPN 	E		
			E		
			E	E	E
			E	E	

Strategic aims	Current position	Work required	2016/17	2017/18	2018/19
<p>customer needs</p> <ul style="list-style-type: none"> Use technology to deliver joined up services 	used by colleagues in Repairs Direct to process repairs, and ESA colleagues to complete estate inspections.	<ul style="list-style-type: none"> Develop mobile working solution further to deliver other front line services 	E		
<p>People Strategy</p> <p>To ensure that we have the right people, with the right behaviours, attitude and skills to ensure service delivery now and in the future.</p> <ul style="list-style-type: none"> Increasing employee engagement Developing our cultures Improving our customer focus 	<p>The TMO Intranet provides colleagues with a central location for departments and TMO applications. The intranet administration sits with the Communication team and colleagues are not able to make changes to the intranet content or documents. The system does not currently have a knowledge base system, where colleagues can search of information or publish information.</p> <p>Over the last twelve months we have had high staff turnover on the support desk, and as part of learning and development for new staff, Infrastructure team and Application team developed a series of workshops.</p>	<ul style="list-style-type: none"> Support Communication team with the procurement and implementation of a new intranet system. Complete ICT workshops for Support desk and ensure that operational procedures are up-to-date Setup bi-monthly ICT clinics at all the main sites to enable colleagues to raise any IT issues Continue with the rollout of the Mitel Micollab to enable colleagues to fully utilise: Web conference, chat, conference calling Develop a communication policy for ICT and make sure colleagues are kept informed of any planned works on the system, including upgrades and enhancements Continue including colleagues in the testing of systems during upgrades and DR exercise 	E		
			D		
			D	D	
			E		

Strategic aims	Current position	Work required	2016/17	2017/18	2018/19
			E		
			E	E	
Value for Money Strategy To provide high quality value for money services for our customers.	<p>Recently we developed number of interfaces between our core systems to increase the amount of information available to colleagues without the need to access multiple systems.</p> <p>The mobile solution recently developed for ESAs has enabled colleagues to schedule routine tasks and automatically push them out to mobile devices, to be completed electronically. Colleagues out in the field are also able to log repairs and complete ad-hoc forms.</p> <p>Recently we reviewed the suitability of Microsoft Dynamics CRM for the TMO, providing a 360 degrees view of customer information, work flow and integration with key systems.</p>	<ul style="list-style-type: none"> ICT will continue to consolidate equipment, improve power management and invest in environmentally friendly technology. Support the Communications team in reviewing options and cost around the implementation of a new intranet system. Content management should be simple and require minimal technical abilities, and it should also integrate with Microsoft Dynamics CRM. Support the Communications team review options and cost around the implementation of a new website, taking into account Microsoft CRM, Social media, web chat and Customer portal functionality. Review the lease contract for Konica Minolta photocopiers. Review the mobile contract, ensuring that we provide the most appropriate handsets For all relevant software procurement, solutions will be considered based on functionality, value for money (VFM) and total cost of ownership. Use PFH framework (housing sector procurement network) to deliver ICT procurement Review and implement new EDMS system which is more user friendly, and efficient, and fully integrates with Microsoft Dynamics CRM 	D E E E E	D E E E	D E E E

Strategic aims	Current position	Work required	2016/17	2017/18	2018/19
					E

Access Channels

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
Multiple working methods should be available to suit the varying needs of colleagues, including mobile working. The solutions should be robust and secure, providing access to the systems and applications when in and away from TMO offices.	A number of remote working facilities exist and the current strategy is to provide colleagues with token based secure access to TMO systems. Hot desk facilities are available at all offices, and users are also able to login to any desk phone and have their calls automatically routed. Using the Micollab client they are also able to set different profiles to manage their telephone calls.	<ul style="list-style-type: none"> Complete roll out of token based remote access solution Review a selection of tablet/laptop devices to be used by colleagues to access systems. Enabling staff to be more mobile 	E		
			E	E	E
Communication methods, whether face to face, by telephone, via electronic or electronic mail should be made simple for users. Any publication should avoid technical "jargon" where possible	All Blackberry handsets have been replaced with smart phones providing better access to emails and the internet. Full network connectivity is available via token based access. A facility also exists to provide full connectivity to the customer service call management solution for	<ul style="list-style-type: none"> Review suitability of current smartphone devices and where possible provide options Complete the roll out of MiCollab to provide instant messaging and desk based web conferencing capabilities, and add video conferencing between meeting rooms Review the suitability of current data links to all satellite offices e.g. ADSL, fibre broadband, data links 	E	E	
				E	E

	CSAs, should they be required to work from home.				
Be in a position to embrace Cloud computing technologies and architectures as and when the business need versus cost justifies the case.	Cloud based solution was considered for Microsoft CRM; however on premises implementation was considerably cheaper to implement and support. Cloud based mobile device management solution was recently purchased to manage smart devices	<ul style="list-style-type: none"> Consider Cloud computing when implementing new solutions or reviewing existing solutions Cloud computing will be used where financially viable 	D D	D D	D D
Integrate telephony at all sites to achieve cost savings on support and call charges by utilising a single system and voice-over-IP technology over the existing EES circuit and private access broadband.	Standalone telephone systems based at all the main offices were replaced using a fully integrated telephony solution centrally managed by the ICT department. Estate offices and sheltered schemes continue to use analogue telephone handsets.	<ul style="list-style-type: none"> Review options and cost around replacing estate office and sheltered scheme analogue telephones with the main integrated telephone solution 		E	

Core applications

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
TMO recognises the importance of maintaining well supported applications. All applications need to be brought in-line with the current levels of support, in terms of service packs and release versions, and provide a modern look and feel that is fit for purpose.	A number of interfaces exist between applications, and data is also exchanged securely with RBKC. Service packs and version releases for all applications are reviewed and tested thoroughly by	<ul style="list-style-type: none"> Continue to upgrade core applications to ensure the business benefits from new features and enhancements, and remain supported Continue to run disaster recovery (DR) test on core applications to ensure the business is able to recover from system failure Ensure all procedures and documentation is kept up to date Continue to develop system interfaces to enhance user experience 	E E E D	E E E D	E E E D

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
<ul style="list-style-type: none"> For the next three years the strategy is to continue to use the Capita Housing system, repairs management systems and finance systems. Ensure that the business is gaining the full benefits from the systems, through the process of upgrades, additional modules, enhancements, development work, improved data accuracy and system interfaces and processes. As appropriate, applications should be able to be delivered to all types of mobile technology. The use of web enabled applications where appropriate to improve access and reduce total cost of ownership 	<p>ICT and a small number of users on the test system before being rolled out into the live system.</p> <p>Disaster recovery (DR) testing of core applications is done annually. A test plan is prepared and presented to management so that resources can be pre-allocated for the coming series of test activities.</p> <p>All software is purchased, secured and managed by ICT</p>	<ul style="list-style-type: none"> Keep abreast of mobile applications that could provide business benefits to the organisation Review system functions with users 	<p>E</p> <p>E</p>	E	E
<p><u>Integrated Housing Management System</u></p> <p>Fully integrated Housing application with the ability to interact with workflows, EDM, CRM, Asset management systems and</p>	Capita Housing – Version 18.3	<ul style="list-style-type: none"> Upgrade Capita Housing to version 19.x to enable us to stay on supported version Review migration of Capita Housing from UNIX based system to Red Hat Enterprise Linux, taking into account standard and custom scripts and system functionality Consider virtualising the server in line with our virtual infrastructure and in order to reduce hardware support 	<p>E</p> <p>E</p> <p>D</p>	E	

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
repairs management systems.		<ul style="list-style-type: none"> cost Review current data replication procedure in line with Business Continuity and Disaster Recovery plan 	E	E	E
<u>Office Suite</u> Standard office software that provides the necessary functionality to meet basic business requirements.	Current version: Microsoft Office 2010	<ul style="list-style-type: none"> Keep Microsoft Office suite on the most recent version, taking into account any system dependencies i.e. Capita letter generation process 		D	
<u>Finance</u> <u>TMO – Finance systems</u> A secure Finance system that supports the Finance department's future requirements. <ul style="list-style-type: none"> Implement future modules and enhancements as appropriate/required within the Finance strategy/service plan. 	Current version: Microsoft Dynamics Great Plains 2013	<ul style="list-style-type: none"> Great Plains was reviewed as part of the implementation of Repairs Direct in 2013 and was deemed appropriate for its purpose. System is supported by 3rd party and is managed by the finance team. ICT will assist with system upgrades and patch releases. 	E	E	E
<u>HRA - Finance system</u>	<ul style="list-style-type: none"> RBKC system. Unit4 Agresso - version: Milestone 4 	<ul style="list-style-type: none"> Maintain a regular review to keep the client current and supported. 	E	E	E
<u>HR</u> A secure HR system that supports the HR department's future requirements and enable staff to access their data and process key activities. <ul style="list-style-type: none"> Implement future modules and enhancements as appropriate/required 	Current version: HR Select 1.4, Select Pay 2.6	<ul style="list-style-type: none"> Roll out a patch release to fix systems issues. 	E	E	E

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
within the HR strategy/service plan					
<u>Asset management</u> Asset management application integrated with the Housing system to manage TMO property portfolio.	Current version: Keystone 5.11.5459	<ul style="list-style-type: none"> Maintain a regular review to keep the system current and supported. 	E	E	E

Repairs Direct Systems

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
	<p>There have been significant changes over the last 3 years, the main one being the formation of Repairs Direct. This has led to investment in new systems and enhancement of existing systems to support the changes as follows:</p> <ul style="list-style-type: none"> The implementation of Open Contractor, Total Mobile and DRS: <ul style="list-style-type: none"> Open Contractor introduced to provide repair job management Standard and enhanced interfaces between Capita Housing and Open Contractor Mobile working Vehicle tracking Sub-Contractor portal – Allows our sub-contractors direct 				

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
	access to our system and process jobs allocated to them. <ul style="list-style-type: none"> Interface with the material suppliers IT system (Travis Perkins) Van stock management - van stock replenishment and job costing through Open contractor Bespoke interfaces 				
Open Contractor	Recently upgraded to version 13 in line with the suppliers support agreement.	<ul style="list-style-type: none"> Maintain a regular review to keep the system current and supported 	E	E	E
TotalMobile	Version 5.5	<ul style="list-style-type: none"> Maintain a regular review to keep the system current and supported 	E	E	E
DRS	Recently upgraded to version 5.4 in line with the suppliers support agreement.	<ul style="list-style-type: none"> Maintain a regular review to keep the system current and supported 	E	E	E
Capita Open Contractor - Contractor portal	Contractor Portal is part of Capita Open Contractor system. The standard portal was customised recently to deliver enhanced functionality in line with the business requirements.	<ul style="list-style-type: none"> Develop the portal with Capita to improve functionality Provide training to Sub-Contractors as and when required Modify further to improve functionality and streamline processes 	D D D	D D D	D D D

Enablers

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
<u>Data Network</u> The network architecture must provide secure and reliable interconnection of all sites, and be capable of supporting growth of the	The ICT department supports all the systems utilised by the TMO for the management of HRA, TMO and Repairs Direct business. It supports	<ul style="list-style-type: none"> Review and plan upgrade to Microsoft's Windows 2012 Terminal Services Review current wireless solution Review network hardware annually 	D		D

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
<p>company.</p> <p>Delivery of applications should be through the most proven and effective route.</p> <p>The network should also support full use of class of service (COS) for data/voice transit (VOIP) and allow maximum throughput between servers and storage devices.</p>	<p>all the main offices, estate offices and sheltered schemes with approximately 280 ICT users.</p> <ul style="list-style-type: none"> All the major applications are provided via a thin client solution using Microsoft's Windows 2008 Terminal Services The Wide area network is provided by BT and Virgin. Class of Service (to carry voice) and Voice-Over-IP is configured and used at all four main sites (and some of the estate and sheltered offices). 	<ul style="list-style-type: none"> Plan and replace all Nortel 1648 switches as recommended by the last review 	E E	E	E
<p><u>Voice Network</u></p> <p>Single telephone system for all sites, using EES site links and secure private internet connection.</p> <p>Embrace unified communication (MiCollab) to provide real-time communications and presence.</p> <p>Provide conferencing facility in all meeting rooms.</p>	<ul style="list-style-type: none"> Single solution is used to provide telephony at all the main sites, utilising EES circuits to route internal calls. The solution is provided by Annodata. Call recording and call logging is enabled on the main telephony solution and the data is retained for twelve months. The telephone solution is replicated to the DR site and the system 	<ul style="list-style-type: none"> Review options around replacing analogue lines at estate offices and sheltered schemes to integrate with the existing main office solution Implement changes confirmed for Customer Services to improve call handling and account coding 	E E	E	

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
	automatically routes the call handling process, should the main site become unavailable.				
<p><u>Servers</u></p> <p>TMO core services operate on a Windows server and Unix platform. Each server hardware configuration has been tuned and optimised in accordance to the applications specification.</p> <p>We have chosen to replace all hardware on a 3 year replacement cycle.</p>	<p>All core services are centralised at Network Hub office and DR servers are based at the Blantyre data centre.</p> <p>There are physical servers and virtual servers based at the Network hub office. The servers are running Microsoft Windows 2003 or 2008 operating systems with HP as our preferred supplier. The Capita Housing server is the only exception, running the Solaris 10 operating system on a Unix server.</p>	<ul style="list-style-type: none"> Upgrade all Microsoft servers to Windows 2012 Continue to embrace virtualisation technology where possible to yield benefits 	<p>D</p> <p>E</p>	E	E
<p><u>Desktop</u></p> <p>All desktop equipment should be configured with the most current version of the Microsoft Windows operating system and in accordance with the requirements of the end users to ensure it meets their needs.</p> <p>Desktop equipment will be replaced periodically to ensure all hardware remains current and fully supportable.</p> <p>The current version of</p>	<p>Thin clients provide greater flexibility for users, and functions for mirroring thin client user sessions over the network also helps to reduce support costs.</p> <p>Over 80% of desktop devices are thin clients. Desktop PCs are only issued where a specific application is required by the user, which does not function correctly or impacts the performance of</p>	<ul style="list-style-type: none"> Continue deploying thin clients Review and replacing desktop PCs with thin clients where possible Continue testing applications required by users on terminal servers to explore the possibility of running these via thin client solution instead. 	<p>E</p> <p>E</p> <p>E</p>	E	E

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
Microsoft Office will be installed on all desktop PCs.	the Microsoft terminal server.				
<u>Unified Communication</u> Full unified communication across the organisation incorporating presence indication, email, instant messaging and fixed/mobile voice/data services.	Capability exists for users based at all the main sites as they are connected to the Mitel telephone system.	<ul style="list-style-type: none"> Review options and cost around providing Unified communication at satellite offices and sheltered schemes. Review options and cost around video conferencing functionality 	E D		
<u>Contact centre</u> To have the ability to provide a consistent solution for disaster recovery, allowing staff to maintain service levels should access to the normal office become unavailable.	There is currently one contact centre based at network Hub. Pickup groups and hunt groups are also used across the organisation to manage inbound calls. Voice mail is provided on request.	<ul style="list-style-type: none"> Provide ICT support and advice for any future business led technology projects, in particular around resident enquires and inbound call options 	E	E	E
<u>Mobile technology</u> All mobile communication technology must be reliable, secure and meet business needs, based on user role requirements. Mobile communication will be reviewed at least bi-annually to make best use of new technology allowing greater use and flexibility whilst ensuring Value for Money.	Mobile communication is provided to staff in the form of smart phones. The service is provided by O2. Smart phones are also used by Repairs Direct operatives to access repair jobs, and by Estate Services Assistants to access scheduled inspections, raise repairs and complete ad-hoc forms.	<ul style="list-style-type: none"> Review and renew existing handsets Continue to review and develop mobile solutions 	E E		E
<u>Electronic Document Management</u> Electronic Document Management (EDM) should be fully utilised to minimise the movement, storage and cost of paper based systems.	<u>Civica W2 Version 17.3</u> Functions and modules currently being used by the TMO: 1. Document scanning, indexing and processing 2. General Filing	<ul style="list-style-type: none"> Complete workflow processes currently under development Consider other options that will interface with Microsoft Dynamics CRM, intranet and are more easy to use 	E	E	E

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
Increase documents security and accessibility.	3. Key object filing (property, tenancy, home owner and contact) 4. Generating ad-hoc letters and process driven letters 5. Complaints (3 workflows) 6. ASB (4 workflows) 7. <u>Other Workflows (live)</u> <ul style="list-style-type: none"> • Pathways to Work • Welfare Reform Officers' Case Work • Welfare Reform North • Welfare Reform South • Flexible Tenancies <ul style="list-style-type: none"> ○ HMA - Intro Fixed Term Tenancy ○ HMA - 2 Year Fixed Term Tenancy ○ HMA - 5 Year Fixed Term Tenancy • Property Base Data Amendments • Online Registration <ul style="list-style-type: none"> ○ Resident Online HO ○ Resident Online RI ○ Resident Online Reminder • CAS Installation and Monitoring Processes <ul style="list-style-type: none"> ○ CAS Installation ○ CAS Review ○ Maintenance Removal • Subject Access Requests 				

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
	<ul style="list-style-type: none"> ○ Subject Access Requests - General ○ Subject Access Requests - Rent Income • Tenancy Visits • Environmental Information Regulations • Freedom of information • Rent Refund Request • Service Charge Refund Request • Invoice Authorisation • Leaseholder Consultation <ul style="list-style-type: none"> ○ Section 20 Consultation ○ Section 20b • Grounds Maintenance Inspection • Report/Fault Reporting • Mutual Exchanges • Right To Buy • Leaseholder Disputes • Fire Inspection Reports • Health & Safety Inspection Reports • Asset Management property creation 				
<u>Reporting</u>	Over the last 12 months Hummingbird Business Intelligence (BI) was replaced with Capita Insight Version 2.0.0.8.	<ul style="list-style-type: none"> • Continue developing management reports • Review Civica W2 reports and consider moving them into Capita Insight. Review Microsoft Dynamics Jet reports and consider moving them into Capita Insight 	E D D	E	E
<u>Customer Relationship Management</u>					

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
Customer Relationship Management (CRM) should be fully implemented to enable colleagues across the organisation an enhanced 360-degree view of customer information, taking into account all available and meaningful information about the customer thereby driving better engagement and customer experience, by combining data exploration, data governance, data access, data integration and analytics in a solution that harnesses the volume, velocity and variety.	Currently no CRM solution exists; however the board has recently agreed to the implementation of Microsoft CRM.	<ul style="list-style-type: none"> Work with the Customer First project team and suppliers to implement Microsoft CRM, in line with business requirements, taking into account interfaces with core applications, intranet, internet, mobile working, remote access, social media, and customer portal 	E	E	E
<u>Workflow</u> Develop workflows to automate business processes where appropriate, making sure the solution is reliable, takes into account legislative requirements and is fully auditable. Develop reports in accordance with business requirements.	We have developed 38 workflows over the last two years using Civica W2. The workflows will now need to be re-created on Microsoft CRM as part of the CRM project. Users will continue using Live work flows on Civica W2 until Microsoft CRM work flows are ready.	<ul style="list-style-type: none"> Complete workflows currently being developed on Civica W2 Review and create workflows on Microsoft CRM (task to be included in the Customer First CRM project) Create database views for workflows on Microsoft SQL server 	E E E	E	E

Operational Capability

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
ICT is critical for the effective operation of the TMO, and the delivery of the services it provides to customers. It is no longer just a support service; it has become a business critical service.	The ICT department maintains operational responsibility for development, systems maintenance and all ICT project related work alongside business projects.	<ul style="list-style-type: none"> Review ICT Service Level agreement Review ICT call logging system SupportWorks Review training requirement for ICT staff 	E	E E	E E
The department need to flex and contract with the business needs and objectives, ensuring the continuing reliability of all systems.	ICT support is only available during core business hours. Tunstall provides out of hours cover for emergency repairs.		E	E	E
The ICT department need to be fully resourced and located appropriately to meet needs of the company, and be able to scale up with the use of short term contracts or permanent staff as required.	Provision and delivery of ICT services has been embraced in the following manner: <ul style="list-style-type: none"> All support calls and requests are logged via the helpdesk and managed using SupportWorks. Definitive software library (DSL) is used to store all live applications. ICT disaster recovery plans are created and tested. 				
We will continue to invest in our staff, equipping them with the skills they need to enhance their technical ability so that they are able to deliver ICT services in accordance with the business expectations.					
The ICT systems and support services should be available to meet the existing and future needs of the business, ensuring that a streamlined, cost effective					

Strategic objective	Current position	Actions	2016/17	2017/18	2018/19
and reliable services is delivered, which is constantly aligned with business goals and objectives.					
<u>ICT Responsibility</u> The ICT department supports all the hardware, software, desktop, systems, network, servers, and telephone system.	Server and network infrastructure is managed and supported by ICT. 3 rd party contract exists to help deal with major issues and annual review of network hardware and configurations. ICT supports all the applications used by the TMO. The Systems team also create custom scripts in addition to vendor scripts and interfaces to enhance system experience. Support Desk team provides first line support to users and also manages desktops, printers, thin clients, laptops and mobile devices. They are also responsible for checking system processes in the morning.				

6. Implementation risks

The table below show high level risks associated with implementing the ICT strategy.

Likelihood (L)			Impact (I)			Risk Category (RC)					
Level	Description	Degree	Level	Description	Degree	Level	Impact				
1	Very Unlikely	Low	1	Minor	Low	Likelihood	1	2	3	4	5
2	Unlikely	Low	2	Disruptive	Low		1	2	3	4	5
3	Likely	Medium	3	Significant	Medium		2	4	6	8	10
4	Very Likely	High	4	Serious	High		3	6	9	12	15
5	Almost Certain	High	5	Major	High		4	8	12	16	20
							5	10	15	20	25

Risk No.	Risk Identified	Existing Control Measures	Probability	Impact	Risk Rating
1	ICT strategy not fully aligned with the business plan corporate strategies	ICT strategy reviewed and approved by ET and SMT	2	4	8
2	Insufficient leadership and sponsorship to sustain the strategy	Regular meetings to monitor progress and to ensure objectives are met	2	4	8
3	Insufficient resources (financial and staffing) to deliver the strategy	Budget setting, Staff skills matrix, identify skills required and train staff or use contractors	2	3	6
4	Not having the correct skills in house to implement and manage the strategy	Identify the skills required, train staff or use external resources (3 rd party consultancy)	2	2	4
5	Reliance on key individuals	Ensure procedures are fully documented and kept up to date	2	3	6
6	Required progress is not made in implementing the strategy	Establish project team, identify key resources and business leads	2	4	8
7	Insufficient understanding of customer requirements	Requirements gathering and specifications documented and signed off by the sponsor	2	4	8
8	Inability of systems to be aligned to the current and future demands/needs of the business	Review and revise ICT strategy and annual objectives to ensure that ICT is aligned with business needs	2	4	8

7 ICT Planning process

- 7.1 Linking each yearly phase of on-going ICT strategy development will be a comprehensive Service Plan, which will be closely linked to the corporate business and service plans. The overall aim of the annual service plan is to pull together all of the objectives, policies, standards and architecture considerations into a summary timeline of all of the required changes to be made, when they should happen, and any associated project interdependencies.
- 7.2 A seven step process of ongoing strategy review, development and implementation will be used as described below:
- **Step 1:** Identify Business Drivers – helps to identify specific business needs that are or should be driving ICT.
 - **Step 2:** Create/update ICT Vision – How can ICT help? This will identify the capabilities of ICT, in terms of process, infrastructure and organisation.
 - **Step 3:** Assess current Alignment – How does the current ICT capabilities compare to our required capabilities?
 - **Step 4:** Identify Alignment Gap – By comparing the current capability against the required capability should identify gaps causing the misalignment.
 - **Step 5:** Prioritise ICT Indicatives – By understanding the critical gaps in ICT capability, we can focus on the 'fixes' required to close the gaps in a cost-effective and business appropriate manner.
 - **Step 7:** Create Migration Plan – This will create an appropriate migration plan for the ICT roadmap, steps, deliverables, responsibilities, and timing
- 7.3 **Adjust ICT Strategy** – This is a key step in ensuring the connection between changing business needs and the implementation of the ICT solutions. It is a continual process and must be undertaken to avoid the common pitfalls often associated with non-inclusive ICT strategy development and implementation.

8 APPENDICES

8.1 Appendix A – Glossary

ADSL	- Asymmetric Digital Subscriber Line, use for data transmission over copper telephone lines
Citrix	- Allows users to remotely connect to applications installed on remote servers
Cloud	- A 3rd party hosted system or service accessed over the Internet instead of local computer's hard drive
CRM	- Customer Relationship management, a system which helps in profiling customers, understanding their needs, and building relationships with them by providing the most suitable customer service.
CSA	- Customer service agent
DR	- Disaster recovery, having processes and plans in place to be able to recover from a disaster situation
Digital phone system	- A telephone system that transmits audio, video, and text data simultaneously across the world, through the use of end-to-end digital connectivity.
EES	- Ethernet Extension Services, data link used to connect TMO offices
EDMS	- Electronic Document Management System, is used to electronically index and store documents against a contact or a property
FTP	- File Transfer Protocol, used to transfer computer files from one host to another
ESA	- Estate services assistant
Integrated ICT Systems	- Bringing together the component subsystems into one system and ensuring that the subsystems function together.
ISDN	- Integrated Services Digital Network, is a digital phone connection which allows voice and data to be transmitted simultaneously
Mobile App	- Mobile application, allows colleagues to access systems on the move that assist day to day processes
Penetration Testing	- Testing to verify that external network security perimeters are secure and prevent security attacks/breaches from external sources
PFH	- Procurement for housing, a 3rd party organisation used to help with procurements
Point to point connections	- Used to directly connect together sites, using a dedicated fibre optic cable
Portal	- Contractor portal used to allow sub-contractors secure access to TMO systems
PSTN	- Public Switched Telephone System, used to dial up any phone number for voice or data communications over ordinary telephone lines
SLA	- Service Level Agreement, a contract between a customer and the vendor of a system(s) to provide a range of support services to an agreed minimum standard
SSL-VPN	- Secure Sockets layer Virtual Private Network, used to securely connect to TMO network using standard Web browser

Terminal Servers

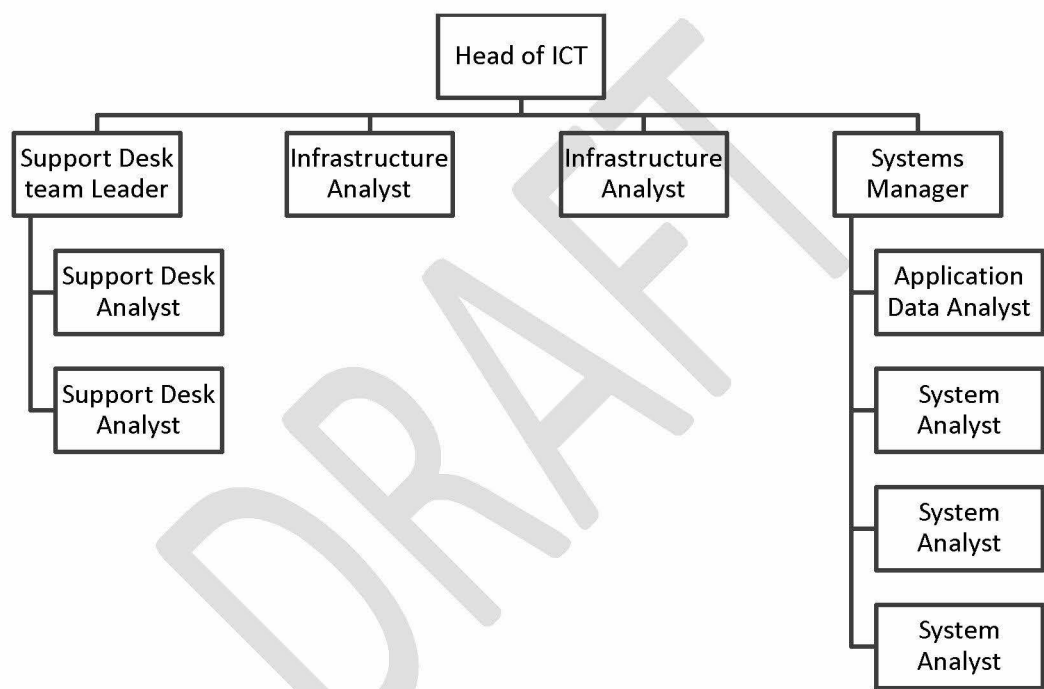
Thin Clients

Virtual servers

VOIP

- Allows multiple users to connect to the server to access applications
- Are devices that have minimal functionality and allows users to establish a connection to a terminal server
- A server that runs a dedicated operating system on shared physical hardware resources
- Voice Over Internet protocol, technology used to transmit voice conversations over a data network using internet protocol

8.2 Appendix B – ICT Organisational Chart



8.2.1 Introduction to the ICT department

The ICT department consists of three teams and they are as follows:

- Support Desk
- Applications Team
- Infrastructure Team

The three groups are based in the Network Hub office. The Support Desk provides onsite support to all TMO office on an as required basis. The applications and infrastructure teams provide 2nd and 3rd line support to assist with resolving more complex queries, system maintenance and implementing new projects and upgrades. An organisational chart for the ICT team is included in the Appendices in section 11 at Appendix B.

The ICT department provides systems and support services during core business hours, Monday – Friday 8am to 5:30 pm. ICT support is not available outside core business hours. All systems (with the exception of Capita Housing) are generally available 24/7, except where planned changes and upgrades are scheduled.

The ICT Department manages and supports all the business systems, the server infrastructure and the network infrastructure. They perform operational duties, respond to issues and incidents and also get involved with projects.

8.3 Appendix C: TMO and repairs Direct Systems and Network infrastructure

8.3.1 Backup

TMO has invested in numerous technologies to safeguard its valuable data, and to ensure system availability. These include a combination of the following:

- periodic and rotational system backups of critical data using an Enterprise backup solution
- Virtual machine backup for applications running off VMs
- Virtual Machine replicas replicated to a secondary site (Blantyre) for redundancy
- Real-time replication of SQL database server to passive hot replacement server on remote site

The configuration and policy details are provided in the Disaster Recovery and backup documentations.

Core systems are tested annually by ICT staff and business users, and we will continue to strengthen disaster recovery procedures, underpinned by regular testing, and ensure documentation is kept up-to-date.

8.3.2 Network

TMO has 4 main sites and 22 satellite offices. The Wide Area network (WAN) is used for data, and voice. The network is triangulated between Network Hub, Kensington High Street and Blantyre offices. The core servers are hosted at the Network Hub site, and the disaster recovery servers are based at the Blantyre office.

Current network topology is resilient as each site includes two point to point connections. If one of the connections was to fail the sites will be re-routed using the second connection.

346 Kensington High Street, Network Hub, and Blantyre are on the WAN for data and internal voice traffic, external voice traffic is deployed over VOIP. Additional ISDN 2 is also used to provide failover for CAS calls only (based at 346 Kensington High Street).

Satellite offices are on the WAN for data traffic only. Voice is deployed over a single SPTN phone line.

All main sites including The Town Hall connect via a 100MB link to Network Hub. Satellite offices connect via ADSL or fibre to the Network Hub. The current network topology is included in the Appendices in section 11 at Appendix D.

8.3.3. TMO and Repairs Direct Systems

TMO Corporate Systems

- Microsoft Dynamics Great Plains (MS Dynamics GP) - The Finance team use MS Dynamics GP for all TMO group accounting. All of the financial tasks in relation to both the TMO and RD are carried out on MS Dynamics GP including processing invoices received, completing payment runs, billing customers, recording payments

received, creating Direct Debit collections, reconciling bank accounts, maintaining the fixed assets register and posting journals within the general ledger.

- HR Select - Used by the HR team to manage employee lifecycle, such as recruitment, leave, staff development and training needs.
- Support Works - ICT helpdesk system used to manage support calls and hold useful information electronically.

Repairs Direct Systems

- Capita Open Contractor - The system is used to manage contractor functions. The system is configured to handle works tickets, job costing, stock control, electronic data interchange with Capita Housing and Travis Perkins IT system (Repairs Direct key materials supplier), fleet management, and a web portal for sub-contractors.
- Total Mobile - Used as a mobile operational management solution to process repairs and complete inspections of properties, without having to duplicate administrative tasks or return to the office.
- Quartex - Web based vehicle tracking system used to manage the Repairs Direct fleet of vehicles. Authorised users are able to view live and historic data relating to each vehicle.
- DRS (formerly known as OptiTime) - The DRS system is integrated with Capita Housing, Open Contractor and Total Mobile to provide seamless handling of repair calls, with real-time dispatch and conflict resolution throughout the day.

Housing Revenue Account (HRA) Systems (applications used to manage transactions on behalf of RBKC HRA)

- Capita Housing - This is our primary housing management system, used for managing tenancy details, rents, arrears, logging repairs and invoicing. Alongside this, several other systems provide support to the main Capita Housing system:
 - ADE – Provides letter merging and batch printing functionality
 - Uptop – Provides functionality for emailing repairs works orders to contractors
 - Bank Wizard – Provides account detail verification when creating direct debits
- Oracle Housing - Old housing system which is used by colleagues to view historic information. The system is set to 'read only'.
- Omfax - Key fax - Dynamic repair diagnostic tool used by customer service agents (CSAs) to diagnose a fault at the point of logging a repair.
- Keystone - Asset management software used to manage, planned maintenance, asbestos, equipment servicing and inspection management, risk management, and

component accounting. Keystone kiosk is also used to provide read-only access to front line staff and 3rd party contractors.

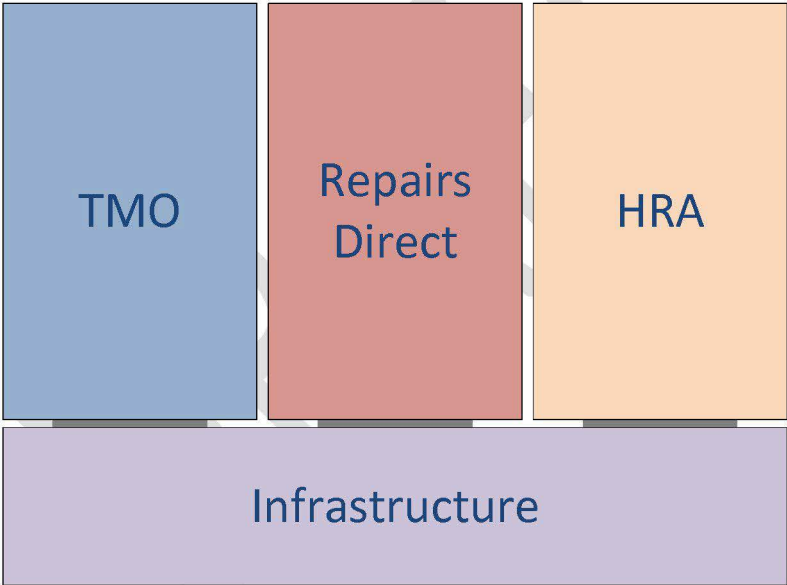
- Civica W2 - W2 is an electronic Document Management System which is used by the organisation to electronically store documents in a central location. Workflows are used to create, capture and manage information while ensuring that process targets are met.
- SeeMyData - Online portal for residents: Tenants and leaseholders can view their rent account online in the same format as the Rent Statement, including sub accounts and all communications. They can also report repairs, and view their progress.
- 4Project - A cloud based system which is used by the Asset Management team to manage complex projects. The system provides a secure environment for managing and sharing documents with 3rd party suppliers and contractors.
- Insight - Organisation-wide reporting tool which is used to manage operational and KPI reports.

RBKC systems and interfaces

- Colleagues use:
 - Citrix to log onto RBKC's Open Revenue finance system for transaction information
 - Paris Browser – RBKC's online payment system to collect money
- ICT send and receive interface files via FTP to and from RBKC using the data link between the two organisations.

Business Systems by Company

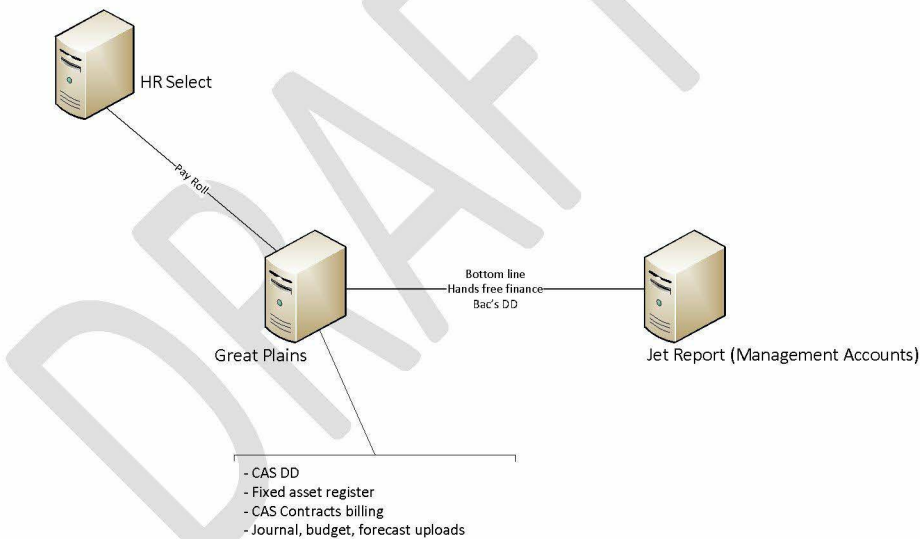
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Date : 22/06/2015

TMO Systems

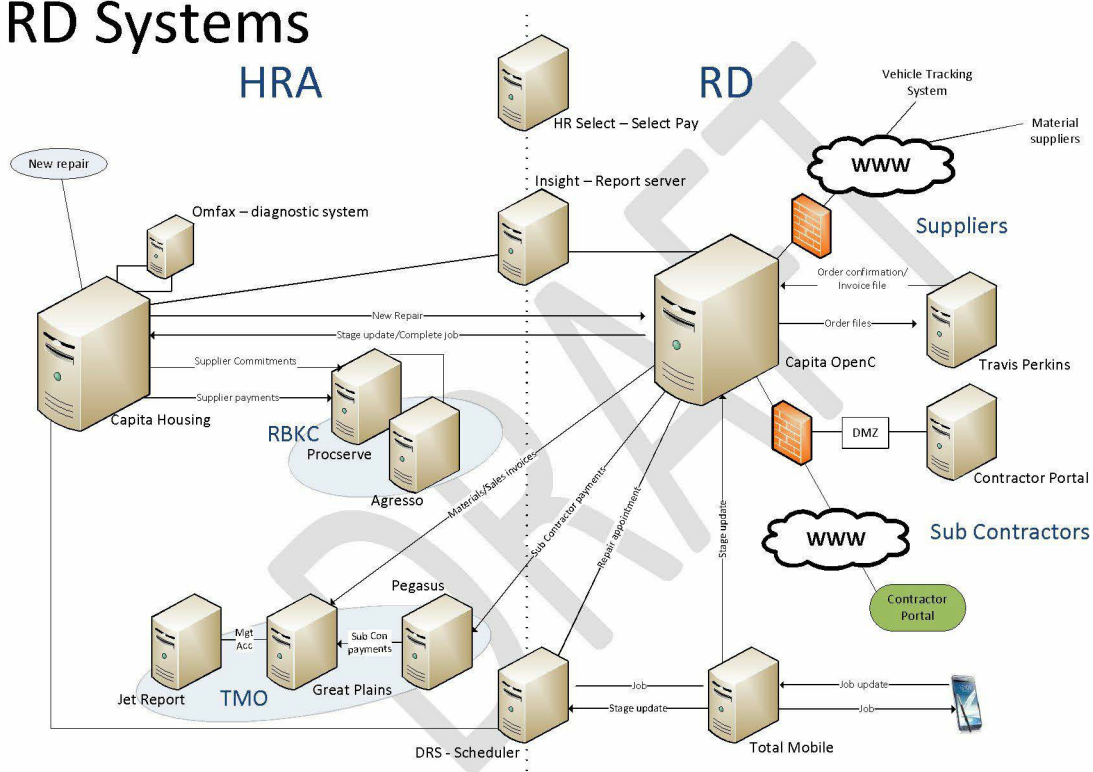
KCTMO



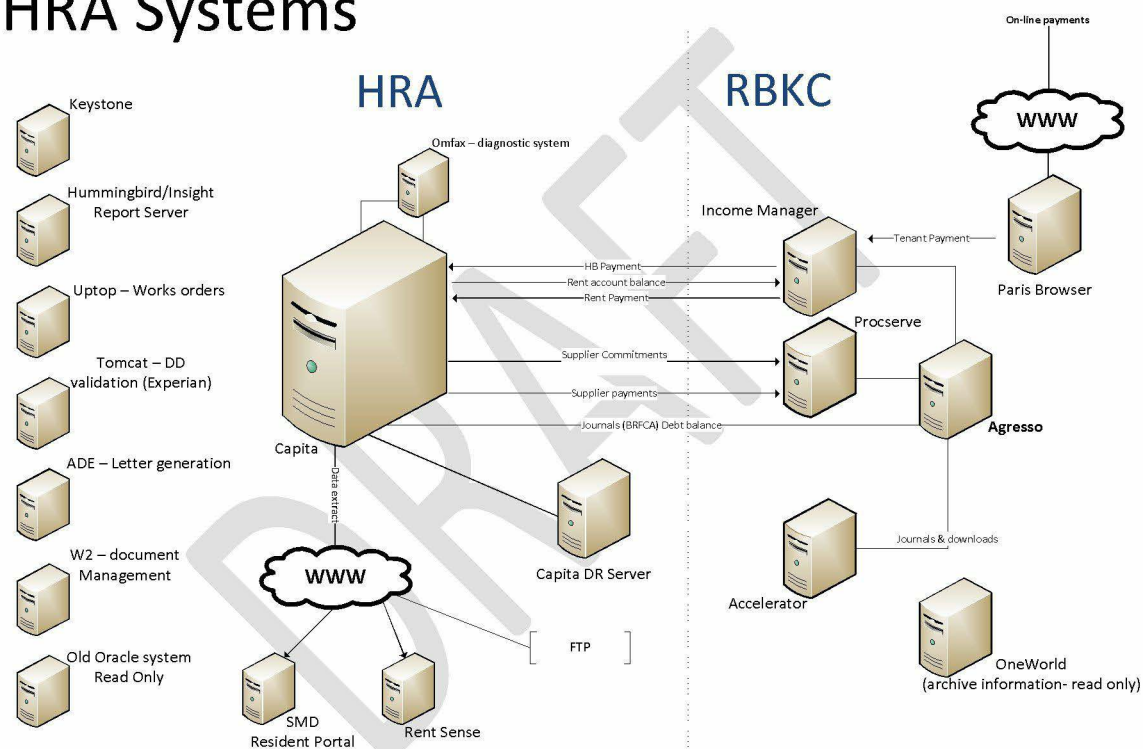
RD Systems

HRA

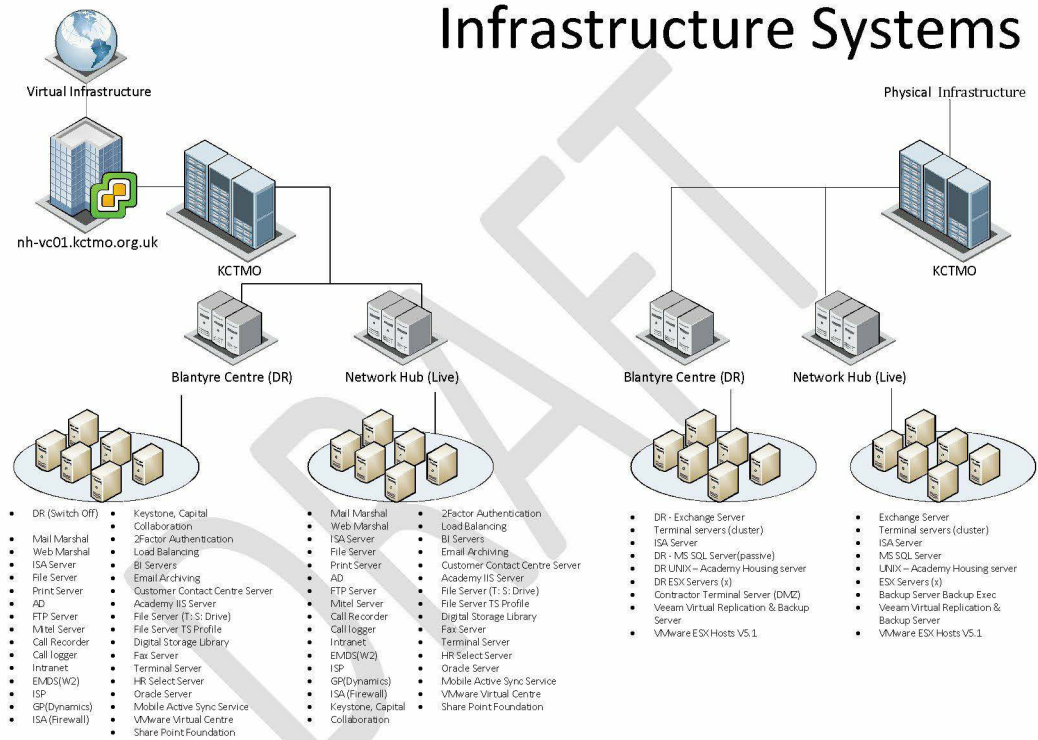
RD



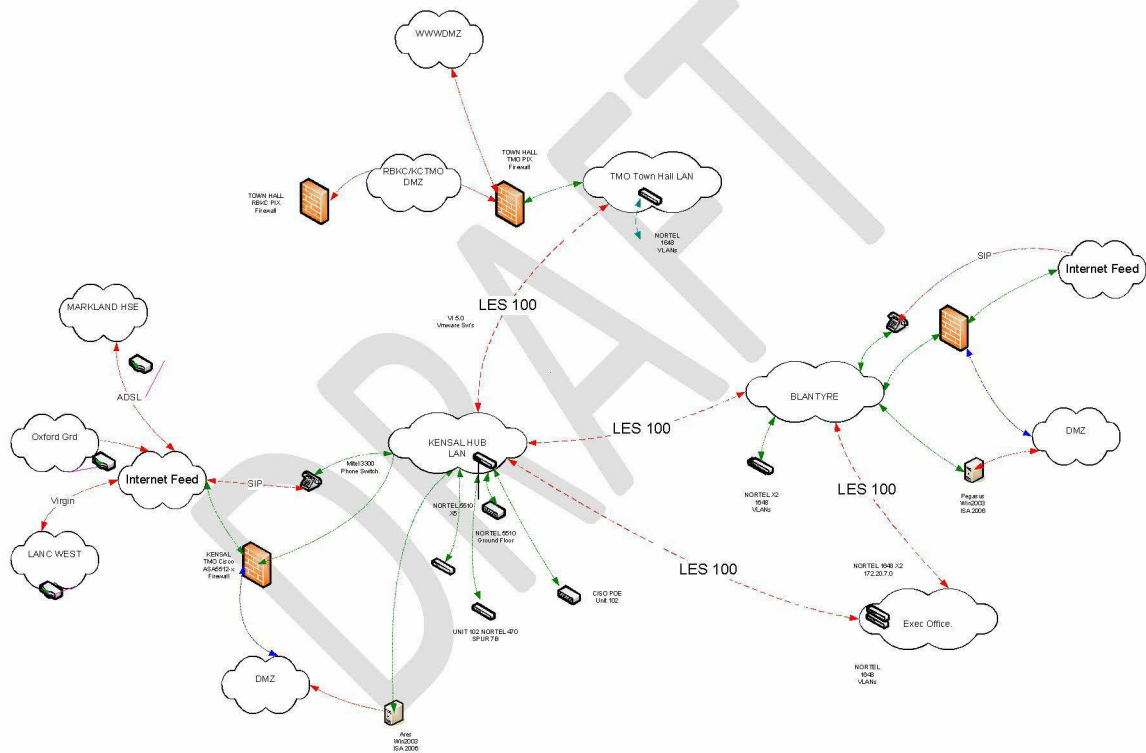
HRA Systems



Infrastructure Systems



8.5 Appendix E – TMO Current Network Topology



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DRAFT

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (“the Company”)**

Confidential	
For Decision	
Board Report 20 July 2016	
Report title:	Board Terms of Appointment
Authority for decision:	The Board is responsible for ensuring that the Company complies with its Articles of Association.
Recommendations:	<p>It is recommended that the Board consider the contents of this report and upon due consideration, pass a resolution in the following form:</p> <p>“The Board RESOLVED TO agree and approve the terms of the Terms of Appointment for the directors of the Company, and authorise the Company Secretary to execute and issue the Terms of Appointment to the directors of the Company, for and on behalf of the Company.”</p>
Regulatory/legal requirements:	The Board has a duty to comply with the Articles of Association of the Company.
Business Plan link:	Not Applicable
Equality Impact Assessment/comment:	Not Applicable
Resident consultation:	Not Applicable
Resource implications/VFM statement:	The Company shall bear the cost of providing independent legal advice to the members of the Board who request such service in considering the terms of their appointment.
Risk:	The Board Members are legally required to comply with the provisions of the Constitution of the Company and in the event that the Terms of Appointment are not approved, the provisions of article 26.4 of the Constitution cannot be met, which shall result in a breach of Section 33(1) the Companies Act 2006.
Appendices:	Appendix 1
Total number of pages including appendices:	12
Name, position and contact details of author:	Fola Kafidiya-Oke, Head of Governance & Company Secretary, Ext [REDACTED]

EXECUTIVE SUMMARY

- 1.1 The Board approved a new Constitution of the Company for recommendation to the members in May 2015. The new Constitution was approved by the members at the annual general meeting on 26 September 2015.
- 1.2 As the Board is responsible for ensuring that any processes, procedures or documentation required to effect the provisions of the new Constitution are in place, and the Constitution provides that no Board Member may act unless they have been signed and agreed to be bound on their appointment by the Terms of Appointment issued to them by the Company, the Board is invited to consider and agree a form of Terms of Appointment.
- 1.3 The Terms of Appointment agreed by the Board will be required to be signed by all Board Members serving on the Board in order for the Company to comply with article 26.4 of the Constitution.

3. TERMS OF APPOINTMENT

- 3.1 The proposed Terms of Appointment contain the standard service provisions relating to director appointments for companies but we have added some specific provisions relating to the nature of the business of the Company, as can be seen in 1.7.1.
- 3.2 Board Members will be required to sign the Terms of appointment once agreed by the Board. Board Members would note that they can seek independent legal advice before signing the Terms of Appointment (if they wish to do so) before signing the terms. The Company will bear the financial responsibility of the cost of seeking independent legal advice, up to a maximum of £300 per Board Member upon production of a valid invoice from a legal firm or solicitor. Board Members will be required to return their duly executed Terms of Appointment no later than the close of business of 16 September 2016.

4. CONCLUSION

- 4.1 The Board is requested to consider the proposed terms of reference (attached to this report) and if agreed, pass the resolutions set out on the first page of this report.

APPENDIX 1

PRIVATE AND CONFIDENTIAL

[Name]

[Address]

[Date]

Dear [x]

Terms of Appointment – Board Members

The board of directors (the **Board**) of The Royal Borough of Kensington and Chelsea Tenant Management Organisation Limited (the **Company**) has appointed you as a non-executive director for the Company. This letter sets out the main terms of such appointment (the **Appointment**).

By accepting the Appointment, you agree that this letter is a contract for services with you as an individual to act in your personal capacity as a non-executive director and is not a contract appointing you to an executive position or otherwise as an employee and you confirm that you are not subject to any restrictions which prevent you from holding office as a director of the Company.

1. Appointment

- 1.1 Subject to the remaining provisions of this letter, the Board has directed that it intends your Appointment to be for a term of three years commencing on [x] unless terminated by your resignation in writing or terminated by the Board pursuant to the provisions of the Articles of Association (Constitution) of the Company.
- 1.2 The Appointment may be extended for further period(s), upon a resolution being passed by the Board subject to the provisions of the Constitution of the Company.
- 1.3 Despite any other provision in this letter, your Appointment is subject to the Company's Constitution, as amended from time to time, and any other prevailing laws and regulations to which the Company is subject. Nothing in this letter shall be taken to exclude or vary the terms of the Constitution as they apply to you as a director of the Company.
- 1.4 Continuation of your Appointment is subject to the Constitution and contingent on your continued compliance with the Constitution and any relevant statutory provisions relating to duties of a director.
- 1.5 You may be required to serve on one or more Board committees.
- 1.6 If you are appointed as a non-executive officer of any other Group entity, that appointment will also be subject to the articles of association and any other prevailing law and regulation to which that entity is subject. Nothing in this letter shall be taken to exclude or vary

the terms of such articles of association as they apply to you as an officer of that Group entity.

- 1.7 Notwithstanding paragraph 1.1, the Board may terminate your Appointment exercising its powers under article 27.2.1 of the Constitution, in which event the Company will be deemed to terminate this letter agreement (save for those provisions that are intended to survive such termination), if you have:
 - 1.7.1 been found to be in arrears for payment of rent, service charges, or other charges due and payable to the Company;
 - 1.7.2 been found to have breached any anti-corruption laws;
 - 1.7.3 committed a material breach of your obligations under this letter;
 - 1.7.4 committed any serious or repeated breach or non-observance of your obligations to the Company, or any Group entity as applicable (which include an obligation not to breach your statutory, fiduciary or common-law duties);
 - 1.7.5 been guilty of any fraud or dishonesty or acted in any manner which, in the Company's opinion, brings or is likely to bring you or the Company (or any Group entity as applicable) into disrepute or is materially adverse to the Company's interests;
 - 1.7.6 been convicted of an arrestable criminal offence other than a road traffic offence for which a fine or non-custodial penalty is imposed in England and Wales;
 - 1.7.7 been declared bankrupt or have made an arrangement with or for the benefit of your creditors in any jurisdiction in which any Group entity is incorporated or otherwise established, or if you have a county court administration order made against you under the County Court Act 1984; or
 - 1.7.8 been disqualified from acting as a director in any jurisdiction in England and Wales.
- 1.8 On termination of your Appointment, you shall, at the Company's request, resign from any other offices you hold in any Group entity.
- 1.9 If matters arise which cause you any concern about your role, you should discuss these matters with the Chair of the Board, the Chief Executive or the Company Secretary. If you have any concerns which cannot be resolved, and you choose to resign for that, or any other, reason, you should provide an appropriate written statement to the Company Secretary, for circulation to the Board.

2. Time commitment

- 2.1 You will be expected to devote such time as is necessary for the proper performance of your duties and you should be prepared to spend at least 2 days per month on company business after the induction. This is based on preparation for and attendance at:
- 6 scheduled board meetings;
 - 2 annual board strategy away-day(s);
 - the AGM;
 - any updating meetings/training; and
 - any meetings of the committees of the Board to which you are appointed.
- 2.2 You will be expected to devote such time as is necessary for the proper performance of your duties. In addition, you will be required to consider all relevant papers before each meeting. Unless urgent and unavoidable circumstances prevent you from doing so, it is expected that you will attend the meetings agreed by the Board.
- 2.3 The nature of the role makes it impossible to be specific about the maximum time commitment. You may be required to devote additional time to the Company in respect of preparation time and ad hoc matters which may arise and particularly when the Company is undergoing a period of increased activity. At certain times it may be necessary to convene additional Board, committees or members' meetings.
- 2.4 Details of the expected increase in time commitment will be covered in any relevant communication confirming the additional responsibility and where appropriate additional terms may be agreed in consideration of such additional responsibility.
- 2.5 By accepting the Appointment, you confirm that, taking into account all of your other commitments, you are able to allocate sufficient time to the Company to discharge your responsibilities effectively.

3. Role and duties

- 3.1 The Board as a whole is collectively responsible for the success of the Group. The Board's role is to:
- 3.1.1 provide leadership of the Company within a framework of prudent and effective business and financial controls which enable risk to be assessed and managed;
 - 3.1.2 set the Company's strategic aims, ensure that the necessary financial and human resources are in place for the Company to meet its business objectives, and review management performance; and

- 3.1.3 set the Company's values and standards and ensure that its obligations to its shareholders and others are understood and met.
- 3.2 As a non-executive director you are expected to perform your duties (whether statutory, fiduciary or common law) faithfully, diligently and to a standard commensurate with the functions of your role and your knowledge, skills and experience.
- 3.3 You shall exercise your powers having regard to relevant obligations under prevailing law and regulation in the jurisdiction in England and Wales.
- 3.4 You shall have particular regard to the general duties of directors; (including the duty to promote the success of the Company) under which all directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, as a director, you must have regard (among other matters) to:
 - 3.4.1 the likely consequences of any decision in the long term;
 - 3.4.2 the interests of the Company's employees;
 - 3.4.3 the need to foster the Company's business relationships with suppliers, customers and others;
 - 3.4.4 the impact of the Company's operations on the community and the environment;
 - 3.4.5 the desirability of the Company to maintain a reputation for high standards of business conduct; and
 - 3.4.6 the need to act fairly as between the members of the Company.
- 3.5 In your role as a non-executive director, you shall also be required to:
 - 3.5.1 constructively challenge and help develop proposals on strategy;
 - 3.5.2 scrutinise the performance of management in meeting according to the agreed goals and objectives and monitor the reporting of performance;
 - 3.5.3 satisfy yourself on the integrity of financial information and that financial controls and systems of risk management are robust and defensible;
 - 3.5.4 be responsible for determining appropriate levels of remuneration of executive directors and have a prime role in appointing and, where necessary, removing the Chief Executive and in succession planning;

- 3.5.5 devote time to developing and refreshing your knowledge and skills;
 - 3.5.6 uphold high standards of integrity and probity and support the executive directors in instilling the appropriate culture, values and behaviours in the boardroom and beyond;
 - 3.5.7 insist on receiving high-quality information sufficiently in advance of Board meetings;
 - 3.5.8 take into account the views of RBKC, the members and other stakeholders where appropriate;
 - 3.5.9 make sufficient time available to discharge your responsibilities effectively;
 - 3.5.10 exercise relevant powers under, and abide by, the Constitution;
 - 3.5.11 disclose the nature and extent of any direct or indirect interest you may have in any matter being considered at a Board or committee meeting and, except as permitted under the Constitution, you will not vote on any decision or resolution of the Board, or of one of its committees, on any matter where you have any direct or indirect interest;
 - 3.5.12 immediately report your own wrongdoing or the wrongdoing or proposed wrongdoing of any employee or other director of the Company of which you become aware to the Chief Executive and Company Secretary;
 - 3.5.13 exercise your powers as a director in accordance with the Company's policies and procedures; and
 - 3.5.14 not do anything that would cause you to be disqualified from acting as a director.
- 3.6 Unless the Board specifically authorises you to do so, you shall not enter into any legal or other commitment (verbal or written) or contract on behalf of the Company.
- 3.7 In the event that you are appointed the Chair of the Board, you shall:
- 3.7.1 chair the Board and general meetings of Company;
 - 3.7.2 set the Board's agenda (primarily focused on strategy, performance, value creation and accountability) and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
 - 3.7.3 set clear expectations concerning the Company's culture, values and behaviours and the style and tone of Board discussions;

- 3.7.4 ensure that the Board determines the nature and extent of the significant risks that the Company is willing to embrace in implementing its strategy;
 - 3.7.5 ensure that the Board has effective decision-making processes and applies sufficient challenge to major proposals;
 - 3.7.6 ensure that Board committees are properly structured with appropriate terms of reference;
 - 3.7.7 encourage all Board members to engage in Board and committee meetings by drawing on their skills, experience, knowledge and, where appropriate, independence;
 - 3.7.8 develop productive working relationships with all executive directors;
 - 3.7.9 demonstrate ethical leadership and promote the highest standards of integrity, probity and corporate governance throughout the Company and particularly at Board level;
 - 3.7.10 ensure that the Board receives accurate, timely and clear information;
 - 3.7.11 be aware of and respond to your own development needs.
- 3.8 You shall be entitled to request all relevant information about the Company's affairs as is reasonably necessary to enable you to discharge such duties.

4. Fees and expenses

- 4.1 [You [shall/shall not] be entitled to receive remuneration for your Appointment]. Any remuneration paid shall be paid in equal instalments monthly in arrears through PAYE after deduction of any taxes and other amounts that are required by law].
- 4.2 You shall be entitled to be reimbursed for all reasonable expenses properly and necessarily incurred in the course of performing your duties as a non-executive director, subject to the production of receipts or other appropriate evidence of payment.
- 4.3 On termination of your Appointment, you shall only be entitled to reimbursement for any expenses properly incurred before that date.

5. Independent professional advice

In some circumstances you may consider that you need professional advice in the furtherance of your duties as a non-executive director and it may be appropriate for you to seek advice from independent advisers at the Company's expense. The Company shall reimburse the reasonable cost of expenditure incurred by you as agreed.

6. Outside interests

6.1 It is accepted and acknowledged that you have business interests other than those of the Company and have declared any conflicts that are apparent at present. If you become aware of any further potential or actual conflicts of interest, these should be disclosed to the Company Secretary as soon as you become aware of them and again you may have to seek the agreement of the Board according to the provisions of the Constitution.

7. Confidentiality

7.1 You agree that the terms of this agreement are confidential to the parties and their professional advisors.

7.2 You acknowledge that all information acquired during your term of the Appointment is confidential to the Company and should not be released, communicated or disclosed to third parties or used for any reason other than in the interests of the Company, either during your Appointment or following termination (by whatever means), without prior clearance from the Chief Executive or Company Secretary. This restriction shall cease to apply to any confidential information which may (other than by reason of your breach) become available to the public generally.

7.3 You acknowledge the need to hold and retain the Company's confidential information (in whatever format you may receive it) under appropriately secure conditions.

7.4 Nothing in this paragraph shall prevent you from disclosing information which you are entitled to disclose under the Public Interest Disclosure Act 1998, provided that the disclosure is made in accordance with the provisions of that Act and you have complied with the Company's policy from time to time in force regarding access to information.

8. Induction

You recognise that during the first few months of your Appointment, you shall be required to attend an induction course to familiarise you with your role. You and the Company shall mutually agree the time and date when this shall take place.

9. Review process

The performance of individual directors and the whole Board and its committees may be evaluated from time to time. If, in the interim, there are any matters which cause you any concern about your role you should discuss them with the Chair of the Board, the Chief Executive, or the Company Secretary as soon as you can.

10. Insurance and indemnity

10.1 The Company has directors' and officers' liability insurance and it intends to maintain such cover for the full term of your Appointment and for 6 years following the cessation of your Appointment. The indemnity limit is £ 10 million (current at the date of this letter). A copy of the insurance document is available from the Company Secretary.

10.2 The Company shall grant you a deed of indemnity against certain liabilities that may be incurred as a result of your office to the extent permitted by section 234 of the Companies Act 2006 and by the laws of England and Wales.

11. Changes to personal details

You shall advise the Company Secretary promptly of any change in your residential address, and other personal details required to be held by law.

12. Return of property

On termination of your Appointment with the Company however arising, or at any time at the Board's request, you shall immediately return to the Company all documents, records, papers, hardware, software, electronic equipment and devices (including mobile phones, laptops or tablets if provided or paid for by the Company) or other property belonging to the Company [or any entity in the Group] which may be in your possession or under your control, and which relate in any way to the Company's or a group entity's business affairs and you shall not retain any copies thereof.

13. Post-termination restriction

By countersignature of this letter, you agree to protect the confidential information, trade secrets and business connections of the Company and any Group entity to which you have access as a result of your Appointment.

14. Data protection

14.1 By signing this letter, you consent to the Group holding and processing data about you for legal, personnel, administrative and management purposes and in particular to the processing of any **sensitive personal data** (as defined in the Data Protection Act 1998) relating to you including, as appropriate:

14.1.1 information about your physical or mental health or condition in order to monitor decisions as to your fitness to perform your duties; or

14.1.2 your racial or ethnic origin or religious or similar beliefs in order to monitor compliance with equal opportunities legislation; or

14.1.3 information relating to any criminal proceedings in which you have been involved for insurance purposes and in order to

comply with legal requirements and obligations to third parties.

14.2 You consent to the Company making such information available to any service providers who provide products or services to the Company or any Group entity (such as advisers), regulatory authorities, future employers, governmental or quasi-governmental organisations and potential purchasers of the Company.

14.3 You shall comply with the Group's data protection obligations.

15. Third party rights

Except in respect of any Group Entity, the Contracts (Rights of Third Parties) Act 1999 shall not apply to this letter. No person other than you and the Company shall have any rights under this letter and the terms of this letter shall not be enforceable by any person other than you and the Company.

16. Entire agreement

16.1 This letter constitutes the entire terms and conditions of your Appointment and supersedes all previous discussions, correspondence, negotiations, arrangements, understandings and agreements between you and the Company relating to its subject matter.

16.2 You agree that you shall have no remedies in respect of any representation or warranty (whether made innocently or negligently) that is not set out in this letter and you shall not have any claim for innocent or negligent misrepresentation based on any statement in this letter.

17. Variation

No variation or modification of this letter shall be effective unless it is in writing and signed by you and the Company (or respective authorised representatives).

18. Governing law and jurisdiction

Your Appointment and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales and you and the Company irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with the Appointment or its subject matter or formation (including non-contractual disputes or claims).

Please indicate your acceptance of these terms by signing and returning to the attached copy of this letter to the Company Secretary.

For and on behalf of
The Royal Borough of Kensington and Chelsea Tenant Management Organisation
Limited

Signed

Signed.....

Name:

Name:

I agree to the above terms of my Appointment as set out in this letter.

Signed

Witnessed:

Name:

Name:

Date:

Address:

**THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED (the “Company”)**

Confidential	
For Decision	
Board Report 20 July 2015	
Report title:	Appointments & Remuneration Committee - Revised Terms of References
Authority for decision:	The Board has the right to delegate its powers to a committee as they think fit according to the Articles of Association.
Recommendations:	It is recommended that the Board consider, deliberate and comment on the revised terms of reference and thereafter pass a resolution in the following form: “The Board RESOLVED TO: (i) agree and approve the adoption of the revised terms of reference for the Appointments & Remuneration Committee to the exclusion of any other versions.”
Regulatory/legal requirements:	It is best practice to review the governance documents its committees on a regular basis to ensure that they are up-to-date, relevant, and reflect the agreed delegated powers and duties.
Business Plan link:	Not Applicable.
Equality Impact Assessment/comment:	Not Applicable.
Resident consultation:	Not Applicable.
Resource implications/VFM statement:	Not applicable.
Risk:	Not reviewing and amending (where applicable) the terms of reference of the committees could cause the Board to be open to challenge in respect of its powers, duties and/or delegated authority.
Appendices:	6
Name, position and contact details of author:	Fola Kafidiya, Head of Governance & Company Secretary, Ext [REDACTED]

1. EXECUTIVE SUMMARY

- 1.1 The' terms of reference for the Appointments & Remuneration Committee were last reviewed and approved by the Board in 2012. Since then the Company has evolved in its business and operations. As a result, it is proposed to adopt new terms of references for the committees which include provisions more closely reflective of best practice, the current operational structures and business areas of the Company, clear and extended delegated duties and powers of each committee, and the group status of the Company.

2. REVISIONS TO THE TERMS OF REFERENCE

- 2.1 The Appointments & Remuneration Committee as a committee of the Board is responsible for recruitment of independent board members, succession planning of independent board members, and the formal appraisal of the performance of the Chief Executive amongst other matters.
- 2.2 The existing terms of reference (attached in Appendix 1) has been reviewed and new terms of reference (attached in Appendix 2) proposed. The key differences in the current terms of reference and the proposed terms of reference are:
- (i) amending the name of the committee to reflect its Group status.
 - (ii) a provision for the event that membership of the Committee falls below the minimum set by the Board.
 - (iii) a provision for a review of the membership of the committee in the event of termination, resignations or new appointments to the Board.
 - (iv) inserting a provision to cover the eventuality that there are consecutive inquorate meetings.
 - (v) Inserting a provision to allow electronic communication and decision-making by the committee;
 - (vi) extending the powers of the committee to include:
 - the power to consider and recommend the appointment of the chair of the subsidiary, Kensington and Chelsea TMO Repairs Direct Limited (RD);
 - monitoring the pay and remuneration of the chair of RD and changes in contractual terms (explicating excluding the Chief Executive and RD chair from decisions involving their remuneration);
 - scrutinising non-contractual payments made to members of the Executive Team of the Company and the Managing Director of RD;
 - considering any major changes to the employee benefits structure in the Company and RD;
 - scrutinising and recommending any remuneration being awarded to Board Members;
 - setting out explicit provisions on the recruitment of Independent Board Members.

3. CONCLUSION

- 3.1 The Board is requested to consider the revised terms of reference (attached to this report) and if agreed, pass the resolutions set out on the first page of this report.

TERMS OF REFERENCE OF THE APPOINTMENTS PANEL

1.0 Constitution

- 1.1 The Appointments Panel (the Panel) is a Panel of the Board and is a requirement of the Constitution. The Panel 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 Panel 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 formulate arrangements for the recruitment, induction, training and succession planning of Board Members and recommend them to the Board for approval.
- 2.2 To undertake the formal appraisal procedure for the Chief Executive and approve the performance report and related issues as outlined in the Performance Review and Development Scheme.
- 2.3 To review and approve the Human Resource Strategy for the organisation and oversee its effectiveness.

3.0 Membership

- 3.1 The membership of the Panel, as set out in the Constitution, will be appointed by the Board and shall consist of one resident Board Member, one Council appointed Board Member and one independent Board Member and will be selected where possible on the basis of their expertise and experience in the areas delegated to the Panel.
- 3.2 Members will be appointed to the Panel for a term not exceeding three years however to run coterminous with their membership of the Board. At the point members are due for re-appointment to the Board or Panel the Board will review the membership of the Panel to ensure that the most appropriate member is appointed in line with the skills required.
- 3.4 Only members of the Panel and the Chair of the Management Board have the right to attend Panel meetings. However, other Executives such as the Chief Executive, the Director of People & Organisational Development, along with external advisors when required, may be invited to attend for all or part of the meeting as and when appropriate.

4.0 Chair

- 4.1 The Board shall appoint the Chair.

5.0 Secretary

- 5.1 The Company Secretary shall act as Secretary to the Panel 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 three; that is all members must be present.

7.0 Meetings

- 7.1 Meetings of the Panel shall be summoned by the Company Secretary, giving not less than 48 hours notice, at the request of any of its members, by the Board, the Chair of the Management Board or by the Executive Team.
- 7.2 The Panel shall meet not less than twice a year and more often if required.
- 7.3 The Panel's Chair shall report formally to the Board on its proceedings with recommendations where appropriate.

8.0 Duties and Powers

- 8.1 The Panel shall have delegated powers for reviewing and approving the payments to Executive Directors and related matters and shall:
 - i) Ensure they are fairly rewarded for their individual contribution having regard to the organisations circumstances and performance.
 - ii) Be advised as appropriate by an external consultant who will give an independent review of the position of senior salaries within the market. The Panel shall have authority to select and appoint such consultant and to commission any reports or surveys which it deems necessary to help it fulfil its obligations.
 - iii) Consider and recommend to the Board contractual terms for the Chief Executive. Such terms shall be reviewed periodically to ensure compliance with the remuneration policy and to ensure that they are reasonable and in the organisations best interests, comply with the approved Code of Governance, relevant legislation and sector good practise.
 - iv) Deal with grievance and disciplinary matters relating to the Chief Executive and Executive Directors where the internal processes have been completed.
 - v) Agree the policy for authorising claims for expenses from the Chief Executive.
 - vi) To scrutinise any termination arrangements of the Chief Executive and Executive Directors and make recommendations to the Board for approval.
 - vii) To scrutinise any non contractual payments to the Chief Executive and Executive Directors and make recommendations to the Board for approval.
 - viii) To undertake the appraisal of the Chief Executive in accordance with the Performance Review and Development Scheme and report outcomes to the Board.
 - ix) To approve the procedure for the appraisal of the Chair and

recommend such appraisal outcomes to the Board.

- x) To scrutinise any governance issues provided to the Panel on an ad hoc basis and make recommendations to the Board.

9.0 Board appointments

- i) Develop and monitor a Selection, Renewal and Deselecting Procedure for the recruitment, appraisal and training of members for approval by the Board.
- ii) Identify and interview all potential Independent members of the Board; and make recommendations to the Board for their appointment based on the skills, qualities and experience which is required from members.
- iii) Review and monitor the composition of the Board and committees having regard to the constitutional requirements, skills, competencies and experience required including age profile and need for renewal, BME representation, gender balance and representation of other interests.
- iv) Review the Board appraisal system regularly and make recommendations to the Board on the most appropriate methods to be used for the conduct of appraisals. To ensure that appraisals are undertaken by the Chair within the first year of a Members appointment and thereafter at least every three years for all Board and committee members and that a consistent style and standard is adopted, reflecting the organisations chosen Code of Governance and sector best practice.
- v) Provide feedback to the Board on their performance as assessed through the appraisal process and how change can be effected. To advise all Chairs on individual performance issues and check that these are addressed.
- vi) Review the induction arrangements made for new Board and Committee Members and check on their adequacy. To review the measures taken to make new members feel involved and valued by the organisation and report these findings to the Board.

GROUP APOINTMENTS & REMUNERATION COMMITTEE (the “Committee”)

TERMS OF REFERENCE

1. Membership

- 1.1 The Committee shall comprise at least three members; the Chair of the Board, an Independent Board member, and a Council-Nominated Board member.
- 1.2 Members of the Committee shall be appointed by the Board for a period of three years, which may be extended by no more than two additional three-year periods, in so far as the members continue to be eligible to be members of the Board.
- 1.3 The Board shall review the membership of the Committee in any year where there has been retirement(s) or resignation(s) from the membership of the Committee, or election and appointment of Resident Board member(s), or appointment of new Council-Nominated Board Member(s).
- 1.4 In the event that the membership of the Committee falls below three, and no appointments are made to the Committee according to these terms of reference, all of the matters falling within the duties of the Committee shall revert to the remit of the Board, for consideration and approval, until the membership of the Committee is duly constituted.
- 1.5 Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Executive Director of People and Performance, and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 1.6 The Chair of the Board shall be the chair of the Committee.

2. Secretary

The Company Secretary or his or her nominee shall act as the secretary of the Committee

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be three members of the Committee.
- 3.2 In the event that a meeting is not quorate, the chair can take the meeting through the business on the agenda however no decisions and/or resolutions shall be passed. Any decisions to be considered shall be adjourned to the next quorate meeting of the Committee.
- 3.3 In the event that the meetings of the Committee are inquorate for at least two consecutive meetings, the matters requiring the consideration and/or approval of the Committee shall immediately be referred to the Board for consideration and/or approval by such means allowed according to the Constitution of the Company.

4. Meetings

- 4.1 The Committee shall meet at least twice a year and otherwise as required.
- 4.2 Further meetings may be convened by the secretary of the Committee at the request of the Committee members, or the Board, or the Executive Director of People and Performance if he or she considers a meeting necessary.

5. Notice of meetings

- 5.1 Unless otherwise as agreed, the notice of a meeting shall state the date, venue, and time of the meeting, together with the agenda of the meeting, and shall be issued to each member of the Committee, and any other person required to attend, no later than five working days before the date of the meeting.
- 5.2 Any meeting convened by request outside of the set meeting schedule shall give at least three working days' notice.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including a record of the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to the Board on a regular basis.
- 6.3 Final signed copies of the minutes of the meetings of the Committee should be maintained for the Company's records, in hard and soft copy where possible.

7. Duties

- 7.1 The Committee should carry out the duties detailed below for the group as a whole, as appropriate. The Committee shall:
 - (a) be responsible for considering and recommending for approval by the Board, the appointment of the Chief Executive of the Company and the Chair of its subsidiary including their key contractual terms;
 - (b) monitoring the pay grading structure of the Executive Team of the Company and approving any changes to the pay grading structure.
 - (c) monitoring the pay and remuneration for the Chief Executive and the Chair of the subsidiary and approving any changes in their key contractual terms. The Executive Team of the Company and the Managing Director shall not be involved in any decisions as to their own remuneration;
 - (d) determine, or agree the design of targets for any performance-related pay of the Chief Executive and the Chair of the Subsidiary;
 - (e) scrutinise any non-contractual payments to be made to any member of the Executive Team of the Company and the Managing Director of the subsidiary, and make recommendations to the Board for approval;

- (f) have the power to investigate, hear and deal with any grievance and disciplinary matters relating to a member of the Executive Team of the Company according to the Company's Grievance or Disciplinary Policy;
- (g) consider and scrutinise any matters relating to the continuation in office of a member of the Executive Team and the Managing Director of the Subsidiary at any time including the suspension or termination of such positions, subject to the provisions of the law and their contract;
- (h) consider and recommend to the Board any payments on termination of the Executive Team, subject contractual terms, ensuring that failure is not rewarded and any loss to the Company is mitigated adequately;
- (i) oversee any major changes in employee benefits structures throughout the Company or the Group;
- (j) oversee the plans for succession for members of the Executive Team in particular for the key roles of Chief Executive of the Company and the Chair of the Subsidiary;
- (k) undertake the mid-year and full year performance review and appraisal of the Chief Executive according to the Performance and Development Review policy and process of the Company and report outcomes to the Board;
- (l) scrutinise and recommend the remuneration to be awarded to any Board Member(s), where applicable;
- (m) be responsible for identifying and nominating for the approval of the Board, any Independent Board member candidates to fill board vacancies as and when they arise;
- (n) before any Independent Board member appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in the light of this evaluation, approve the role description and capabilities required for a particular appointment; and
- (o) undertake any governance-related tasks delegated to it by the Board and make recommendations to the Board.

7.2 In identifying suitable candidates for the role of Independent Board member, the Committee shall:

- (a) ensure the use open advertising or the services of external advisers to facilitate the search;
- (b) consider candidates from a wide range of backgrounds;
- (c) consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position;
- (d) prior to the appointment as a Board member, the proposed appointee should be required to disclose any other business interests that may result in a conflict

of interest and be required to report any future business interests that could result in a conflict of interest; and

- (e) ensure that on appointment to the Board, the Independent Board member receives a formal letter of appointment setting out the terms of their membership of the Board.

8. Reporting responsibilities

8.1 The Committee shall report to the Board on a regular basis on the areas within its remit particularly where a matter has been presented for its consideration according to the provisions of the terms of reference.

8.2 The minutes of each meeting of the Committee shall be issued to the Board for formal reporting purposes.

9. Other Matters

9.1 The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- (c) have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the company but within any budgetary restraints imposed by the Board to help it fulfil its obligations.
- (d) give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of Board members and Executive Management officers.

10. Authority

10.1 The Committee is authorised by the Board to obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.

11. Dispute

11.1 In the case of dispute on any matter within the Committee, the matter shall be referred to the Board and shall be entitled to make a decision which shall be final.

KENSINGTON & CHELSEA TMO REPAIRS DIRECT LIMITED
(the 'Company')

Minutes of a meeting of the Board of the Directors (**Board**)
held on 10 March 2016 at 5:00 pm
at 346 Kensington High Street, London W14 8NS

PRESENT:

DIRECTORS Barbara Matthews - Chair
Sacha Jevans
Eman Yosry

IN ATTENDANCE Paul Mains
Graham Webb
Rupa Bhola Assistant Director of Financial Services
Fola Kafidiya-Oke Company Secretary
Daniel Asamoah Company Secretarial Assistant

1. NOTICE, APOLOGIES AND QUORUM

- 1.1 The Board **RESOLVED TO** appoint Barbara Matthews to chair the meeting.
- 1.2 The Board noted that notice had been given to the directors entitled to receive notice and attend the meeting.
- 1.3 The Board further noted that the meeting was quorate in accordance with the Articles of Association of the Company.

2. MINUTES OF THE MEETING HELD ON 21 OCTOBER 2015

- 2.1 The Board considered the minutes for the meeting held on 16 December 2015 and **RESOLVED TO** agree and approve that the minutes were a true and accurate record subject to the following amendments:
- the amendment of the last sentence of paragraph 5.5 to read "On the other hand, the Area Review Board members requested that a representative of the Company should attend their quarterly meetings."
 - the amendment of the first sentence of paragraph 5.7 to read "Eman Yosry informed the Board that she had noticed a great improvement in customer services after her experience with the customer contact centre recently."

3. MATTERS ARISING

- 3.1 Risk Register Review – the Board noted that the revised risk register was on the agenda for consideration.

Out of Hours Service Contract Review – It was highlighted that the action was to consider the options available for delivering an effective out-of-hours service. It was clarified that there had been complaints about the service being provided by Pinnacle hence the need for a review of the service options. Sacha Jevans assured the Board

that Graham Webb was considering the various options available including providing the service in-house.

4. DECLARATIONS OF INTEREST

- 4.1 The members of the Board present confirmed that they had no interests to declare.

5. MANAGING DIRECTOR'S REPORT

- 5.1 Graham Webb presented his update report on the operational performance of the Company. His update highlighted that:
- the results of the customer satisfaction surveys remained strongly in favour of the Company with increased batches of surveys being undertaken per day.
 - the Company was concentrating on managing poor performers and areas of concern were being addressed. Qualitative and quantitative measures were both being monitored.
 - the five-year business vision of the Company was being drafted to be presented to the next meeting of the Board.
 - there were lots of opportunity to build and improve performance.

Barbara Matthews emphasised that quality of work should be paramount, and therefore the team should not primarily focus on achieving the KPIs. Sacha Jevans reminded the Board on the need to review KPIs to reflect the requirements of the Company's customers.

- 5.2 Graham Webb drew the Board's attention to the revision of the Company's Business Plan which would be reviewed and approved at the next Board meeting. It was noted that Revised Business Plan would be presented to the parent Board at its May 2016 meeting for approval.
- 5.3 The managing director provided update on staff recruitment. The Board was informed that vacant positions are being filled quickly but with quality in focus.
- 5.4 Graham Webb drew the attention of the Board to the updated risk register. Fola Kafidiya-Oke suggested that the risk stating the Company's obligation to deliver the MMA should read as, 'the risk of the Company delivering the repair service arrangements in the MMA.' The Board agreed that the risk register be reviewed and presented at a future meeting.

The Board then discussed the policy needs of the Company. Graham Webb suggested that the Company could adopt the parent Company's policies as a way to strive to attain the same standards.

- 5.5 The Board **AGREED TO** note the contents of the report.

6. BUDGET MONITORING REPORT

- 6.1 Rupa Bhola presented the budget monitoring report for the financial year to date.
- 6.2 The report highlighted the following:
- the surplus to date was £143k with an expected yearend surplus of £163k
 - actual income was £63k above the budgeted income
 - actual staff cost was £127k below budget and other cost £180k above the

budget

- the Company's cash balance was £145k
- the new model had make significant impact on the company's accounts; the Company would start repaying the loan facility obtained from the parent Company at the end of March 2016.

6.3 Sacha Jevans asked if the Company anticipates any rise in sub-constructor costs. Graham Webb assured the Board that increase in subcontractor cost had not been a major concern; his focus had been to boost the efficiency of the internal workforce.

6.4 Sacha Jevans suggested the need to benchmark job costings to ascertain how the Company is fairing with like companies. She added that it would facilitate the measure of efficiency and competitiveness of the Company. Barbara Matthews welcomed the suggestion and agreed to work with Rupa Bhola and Graham Webb and report back to the Board.

6.5 The Board **AGREED TO** note the contents of the report.

7. **BOARD APPOINTMENT RECOMMENDATION**

7.1 Fola Kafidiya-Oke informed the Board of the recommendation to appoint of Paul Mains as Chair of the Company's Board would be made at the next parent Board's meeting. She added that Paul Mains induction would commence after his appointment has been approved by the parent Company's Board.

7.2 The Board **AGREED TO** note the update.

8. **ANY OTHER BUSINESS**

8.1 Graham Webb informed the Board that the Health and Safety (H&S) Manager position was still vacant. He explained that the delay to recruit for the H&S manager had been the need to fully ascertain the business needs and also build plan for accreditation on various ISO schemes before recruiting for a suitable candidate. He assured the Board that he intends to recruit by June 2016. The Board was assured that the risk had mitigated by ensuring that all the workforce are fully trained on H&S issues on the role.

8.2 Eman Yosry informed the Board that some residents had requested that operatives wear shoe covers when entering residents' dwellings. Sacha Jevans welcomed the request and assured the Board that the request would be implemented.

8.3 Barbara Matthews informed the Board that the February 2016 Budget Report would be circulated by 18 March 2016.

9. **DATE OF NEXT MEETING**

9.1 The next meeting of the Board was scheduled for 9 May 2016.

KENSINGTON & CHELSEA TMO REPAIRS DIRECT LIMITED
(the 'Company')

Minutes of a meeting of the Board of the Directors (**Board**)
held on 9 May 2016 at 4:00 pm
at 346 Kensington High Street, London W14 8NS

PRESENT:

DIRECTORS Paul Mains - Chair
Barbara Matthews
Sacha Jevans

APOLOGIES: Eman Yosry

IN ATTENDANCE: Graham Webb
Rupa Bhola Assistant Director of Financial Services
Fola Kafidiya-Oke Company Secretary

1. NOTICE, APOLOGIES AND QUORUM

- 1.1 The Board noted that notice had been given to the directors entitled to receive notice and attend the meeting.
- 1.2 The Board further noted that the meeting was quorate in accordance with the Articles of Association of the Company.

2. MINUTES OF THE MEETING HELD ON 10 MARCH 2016

- 2.1 The Board considered the minutes for the meeting held on 10 March 2016 and **RESOLVED TO** agree and approve the minutes as a true and accurate record of the meeting.

3. MATTERS ARISING

- 3.1 Out-of-Hours Call Handling Service Contract Review – Graham Webb informed the meeting that he had met with Pinnacle and the review of the options had commenced. He clarified that the current contract was worth £50k. The provision of the evenings and weekends out-of-hours call handling in-house had been considered and found to be more expensive. It was agreed that the service provided by Pinnacle needed to be reviewed and specifications of the contract set out. It was further reiterated that the cost, specifications, wants, budget needed to be clear. It was agreed to look at this at a future meeting.
- 3.2 Review KPIs
Graham Webb informed the Board that performance indicators for emergency responses and average days to respond would replace the 'number of days to respond to an emergency' performance indicator.
- 3.3 Benchmark Job Costing
It was agreed to bring this to a future meeting of the Board.

- 3.4 Operatives' Shoe Cover
The Board noted that all operatives had been issued with shoe covers for their visits to residents' homes.
- 3.5 Corporate Risk Register
The Board agreed to review the Corporate Risk Register twice a year, at its September and March Board meetings.
- 4. DECLARATIONS OF INTEREST**
- 4.1 The members of the Board present confirmed that they had no interests to declare.
- 5. BUSINESS PLAN 2016**
- 5.1 Graham Webb presented a proposed business plan for the Company for the next 5 years and the revised financial plan for the Company. He outlined the rationale for the proposed business plan and the strategic priorities for the Company which resulted in the proposed plan. These included service delivery, growth and profit.
- 5.2 Graham Webb drew the attention of the Board to the fact that the intended growth for the business was being capped at 30% in order to prevent a distraction from the core objective of the Company which was to provide a quality repair service to occupants of RBKC properties.
- 5.3 It was clarified that this was the first strategic business plan for the Company and this would impact on the financial plan of the Company as approved by the parent company. Paul Mains questioned the action plan covering three years instead of five years as set out in the financial plan. Paul Mains also queried whether the service standards would be set out for customers.
- 5.4 It was noted that it was still intended to reduce the use of subcontractors in the service growth. It was agreed to set out the measures of success in the proposed plan and the outcomes that would result from the strategic priorities of the business. It was further agreed to link the actions in the plan to the risks arising and the Company's risk register. The report would be amended to set out the objectives, key milestones, measures for success & outcomes, and the risks associated.
- 5.5 The Board **RESOLVED TO** agree the proposed business plan for 2016/17 to 2020/21, subject to the suggested amendments, and recommend it to the parent company board for its approval according to the Intragroup Agreement.
- 6. ANY OTHER BUSINESS**
- 6.1 The Board agreed that a forward plan should be populated for the Board to consider.
- 7. DATE OF NEXT MEETING**
- 7.1 The next meeting of the Board was scheduled for 14 July 2016.
- 8. CLOSE OF THE MEETING**
- 8.1 The meeting was closed at 4.47pm.

**THE ROYAL BOROUGH OF KENSINGTON & CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED**
(the 'Company')

OPERATIONS COMMITTEE
(the 'Committee')

Minutes of a meeting of the Committee of the Company
held on 28 January 2016 at 6.30 pm
at 346 Kensington High Street, London, W14 8NS

PRESENT:

Resident Board Members	Tony Annis	- Chair
	Fay Edwards	- Left the meeting at 7:43 pm
	Kush Kanodia	
	Brendan Tracey	
Independent Board Members	Peter Chapman	

APOLOGIES

Mary Benjamin
Cllr. Judith Blakeman
Paula Fance
Maria Escudero-Barbaza

IN ATTENDANCE:

Sacha Jevans	Executive Director of Operations
Yvonne Birch	Executive Director People and Performance
Peter Maddison (PM)	Director of Assets and Regeneration
Daniel Wood	Assistant Director Home Ownership
Siobhan Bowman	Performance Manager - Business Improvement
Kiran Singh	Head of Neighbourhood Management
Andrew McAllister	Head of Strategic Investment
Fola Kafidiya-Oke	Head of Governance & Company Secretary
Daniel Asamoah	Minutes

1. NOTICE, APOLOGIES AND QUORUM

- 1.1 The Committee **RESOLVED TO** elect Tony Annis to chair the meeting as the election of Chair of the Committee was to be deferred to the next meeting of the Committee.
- 1.2 The members of the Committee present noted that the meeting was not quorate in accordance with the Terms of Reference of the Committee. It was noted that the decision items were to be deferred to the next meeting of the Committee.
- 1.3 The Committee agreed that notice had been given to the members entitled to receive notice and attend the meeting.

- 1.4 The Committee also noted that apologies have been received from Mary Benjamin, Maria Escudero-Barbaza, Cllr Judith Blakeman, and Paula Fance.

2 ELECTION OF CHAIR AND VICE CHAIR

- 2.1 This item was agreed to be deferred to the next meeting of the Committee.

3. MINUTES OF THE MEETING HELD ON 1 OCTOBER 2015

- 3.1 This item was agreed to be deferred to the next meeting of the Committee.

4. MATTERS ARISING

- 4.1 The Committee noted the following updates on the matters arising:

4.2 *Void's Turnaround Process*

The Committee agreed that a verbal update should be provided at the next meeting of the Committee.

4.3 *Contact Centre Benchmarking*

Siobhan Bowman drew the attention of the Committee to the performance report which included some benchmarking information on the Company's contact centre versus the RBKC contact centre.

4.4 *Lift Maintenance, Gas Safety, and Electrical Testing Compliance Report*

It was noted that a report was presented in the pack for the meeting.

4.5 *Trellick Tower Capital Investment*

It was noted that a report was presented in the pack for the meeting.

5. DECLARATIONS OF INTEREST

- 5.1 The members of the Committee present confirmed that they had no interests which they were under a duty to disclose.

6. PERFORMANCE REPORT – Q3 2015/16

- 6.1 Siobhan Bowman presented the quarterly performance report to the Committee. The Committee agreed that there was a need to improve the publication of results on estate inspections. The Committee also noted that there had been an increase in arrears which was as a result of the Christmas season, and even though performance had dipped for water quality compliance, this was a low risk for the Company.

- 6.2 The Committee considered the benchmarking information provided for the RBKC contact centre versus the performance of the Company's contact centre.

- 6.3 Tony Annis questioned whether the improvement in performance of the customer service centre was as a result of the changing technology. Sacha Jevans clarified that the improvements were primarily as a result of the training programme introduced and implemented for the staff in the contact centre.

- 6.4 Peter Chapman commended the contents of the performance report. Peter Chapman commented that it would be expedient to know residents' thoughts on service quality and this could be achieved by introducing a simple satisfaction survey at the end of each phone call taken by the contact centre. He highlighted that this was similar to the process used by the RBKC contact centre. Sacha Jevans welcomed the suggestion and agreed to consider this and report back to the committee at the next meeting.
- 6.5 Brenden Tracey suggested that a breakdown of the dates and stages of complaints taken should be included in the performance report. Yvonne Birch confirmed that the annual complaints report would provide a breakdown of the number of complaints and the stages applicable.
- 6.6 Kush Kanodia highlighted the recent ruling which clarified that bedroom tax was discriminatory for disabled social tenants. He questioned the impact of the ruling on the performance matrices for the Company.
- 6.7 The Committee **NOTED** the contents of the report.

7. HOME OWNERSHIP UPDATE REPORT

- 7.1 Daniel Wood presented the home ownership update report which highlighted that:
- Income collection had fallen below the target because of the Agresso problems;
 - performance for major works collection, service charge collection, telephone statistics were above target; and
 - arrears' action and legal referrals were impacted by the Agresso issues.
- 7.2 Kush Kanodia questioned when the Agresso system issues would be resolved. Daniel Wood explained that there was no confirmation at the current time, but the main issue was with misallocated payments. He confirmed that there had been signs of improvement.
- 7.3 The Committee **NOTED** the contents of the report

8. NEIGHBOURHOOD MANAGEMENT UPDATE REPORT

- 8.1 Kiran Singh presented the neighbourhood update report which highlighted that:
- there had been a slight drop in anti-social behaviour cases reported in Quarter 3 compared to the same period in the last year.
 - there were still on-going issues with the Agresso financial system and this had impacted the rent income collection service. There were £64k worth of missing payments still outstanding.
 - the reduction in the benefit cap could affect the rent income collection service.

Kiran Singh further confirmed that the repair works at Adair Tower was almost complete and he hoped to move residents back into their homes soon.

- 8.2 Kush Kanodia expressed concern on the effect of Universal Credit on residents. Kiran Singh clarified that Universal Credit would mainly affect new claimants (initially the single and childless). Kush Kanodia expressed concerns on the notification and publication of the switchover to Universal Credit and how the Company was dealing with this and the impact of the potential transition period. Kiran Singh assured the Committee that letters

was being sent out to approx. 1000 residents to provide an overview of Universal Credit and support residents who may require help with their budgeting. An update on Universal Credit would be provided to the Committee.

8.3 Peter Maddison stated that the Asset & Regeneration team would be looking at the condition surveys for improvements to environmental areas and tying this to the capital programme.

8.4 The Committee **NOTED** the contents of the report.

9. CUSTOMER FIRST TENANT PROFILING QUESTIONNAIRE

9.1 Sacha Jevans presented a paper providing a detailed background to the profiling questionnaire to be issued to all residents of properties managed by the Company. She reminded the Committee that a previous version of the questionnaire had been issued to Resident Association Chairs to consider and the feedback received had been taken into account in the version presented to the Committee. She informed the Committee that legal advice had been sought on the contents of the questionnaire. She clarified that the next step was to issue the questionnaire to all tenants of properties managed by the Company.

9.2 Tony Annis questioned if residents had an obligation to complete the questionnaire or as there were any sections of the questionnaire which were optional to provide. Yvonne Birch explained that the tenancy agreement signed by tenants provided that tenants were required to provide most of the information on the form. She added that some of the questions did not require a compulsory response if resident did not want to divulge that information, they were allowed to pick the 'prefer not to say' response.

9.3 Brenden Tracey suggested that the form should be made available on the Company website. Sacha Jevans agreed to look into getting the forms on the website.

9.4 Kush Kanodia suggested that a supplementary guide which explained reasons for completing forms should be provided with the questionnaire. Sacha Jevans assured the Committee that explanatory notes would be provided with the questionnaire. Fola Kafidiya-Oke reiterated to the Committee that it was important to understand why the information update was being conducted. It was noted that the updated form would be presented to the Resident Association chairs.

9.5 The Committee **NOTED** the contents of the report.

10. CAPITAL PROGRAMME UPDATE REPORT

10.1 Peter Maddison presented an update on the Capital Programme for the current financial year which highlighted that:

- the total spend for the period to December 2015 was £5.48m, resulting in more expenditure for the rest of the financial year.
- it was decided to reduce the 2015-2016 capital programme budget by £2.5m until the implications of any potential reduction in capital funding could be ascertained.
- the £2.5m reduction in the 2015-2016 would be transferred to the 2016-2017 programme to reduce the impact of the external works to be undertaken on the

Trellick Tower on the capital programme for that year.

- 10.2 Peter Chapman questioned the implications of the reduced expenditure, on the capital programme. He expressed his concern about future of the capital programme and its impact on the Company and drew the attention of the Committee to the risk stated on the risk register 'no clear funding strategy beyond 2017/2018'.
- 10.3 The Committee noted that the implications for the 2018-2019 capital programme was a matter for the Board meeting and would be best discussed at that meeting.
- 10.4 The Committee **NOTED** the contents of the report

11. TRELICK TOWER INVESTMENT

- 11.1 Peter Maddison presented a report highlighting the proposal to invest in Trellick Tower by undertaking external repair works. The Committee considered the report which set out the rationale for the decision to invest in Trellick and the other options which were not considered to be viable to pursue.
- 11.2 The Committee noted that it was proposed to spend £7.2m to undertake the external repairs to the tower during the 2016-17 and 2017-18 financial years. The Committee expressed their unease on the allocation of approx. 40% of the capital programme budget for 2017-18 to the repair of just one asset as it would be perceived by the other tenants as being detrimental and unfair. Peter Chapman expressed the opinion that RBKC should increase the capital programme by the corresponding amount to fund the repairs. He further reiterated that RBKC should undertake a strategic review of its options for Trellick Tower considering the amount of investment being absorbed by the block.
- 11.3 Peter Maddison assured the Committee that RBKC had increased the investment in the budget to cater for the works needed at Trellick Tower. He added that the works were essential to satisfy health and safety requirements and ensure that the asset does not enter into disrepair. Sacha Jevans suggested that a paper should be prepared highlighting the impact of the investment in Trellick on the other properties managed by the Company.
- 11.4 The Committee **NOTED** the contents of the report

12. STATUTORY COMPLIANCE UPDATE

- 12.1 Peter Maddison presented a report covering the compliance obligations of the Company on Lift Maintenance, Gas Safety, Water Quality and Electrical Testing. He explained that the report outlined the approach of the Company in ensuring compliance throughout the year.
- 12.2 The Committee noted that it was intended to ensure that the contracts would ensure statutory compliance by the contractors and a report would be presented to the Board on the subject.
- 12.3 The Committee noted that the performance reports showed improvements across all indicators over the last three years except in the area of water quality which was below expectation but had also seen improvement. Peter Chapman complimented the

benchmarking information provided.

12.2 The Committee **NOTED** the contents of the report.

13. DATE OF NEXT MEETING

13.1 The next meeting of the Company is scheduled for 5 May 2016.

13.2 The meeting closed at 8:30pm

**THE ROYAL BOROUGH OF KENSINGTON & CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED**
(the 'Company')

OPERATIONS COMMITTEE
(the 'Committee')

Minutes of a meeting of the Committee of the Company
held on 5 May 2016 at 6.30 pm
at 346 Kensington High Street, London, W14 8NS

PRESENT:

Resident Board Members	Brendan Tracey	- Chair
	Fay Edwards	-
	Kush Kanodia	
	Mary Benjamin	
	Tony Annis	
Independent Board Members	Peter Chapman	
Council-Nominated Board Members	Paula Fance	

APOLOGIES

IN ATTENDANCE:

Cllr. Judith Blakeman	
Maria Escudero-Barbaza	
Sacha Jevans	Executive Director of Operations
Yvonne Birch	Executive Director People and Performance
Peter Maddison (PM)	Director of Assets and Regeneration
David Ward	Assistant Director Home Ownership
Siobhan Bowman	Performance Manager - Business Improvement
Fola Kafidiya-Oke	Head of Governance & Company Secretary

1. NOTICE, APOLOGIES AND QUORUM

- 1.1 The members of the Committee present noted that the meeting was not quorate in accordance with the Terms of Reference of the Committee. It was noted that the decision items were to be deferred to the next meeting of the Committee.
- 1.2 The Committee agreed that notice had been given to the members entitled to receive notice and attend the meeting.
- 1.3 The Committee noted that apologies have been received from Maria Escudero-Barbaza and Cllr. Judith Blakeman.

2 ELECTION OF CHAIR AND VICE CHAIR

- 2.1 The Committee **RESOLVED TO** elect Brendan Tracey as the Chair of the Committee and Kush Kanodia as the Vice-Chair of the Committee.
- 3. MINUTES OF THE MEETING HELD ON 1 OCTOBER 2015 AND 28 JANUARY 2016**
- 3.1 The Committee **RESOLVED TO** agree and approve the minutes of the meetings held on 1 October 2015 and 28 January 2016 as a true and accurate record of the meetings.
- 4. MATTERS ARISING**
- 4.1 The Committee noted the following updates on the matters arising at previous meetings:
- 4.2 Implications on Capital Programme for 2018- 2019
The Committee noted that the implications as requested was set out in the Capital Programme Update report which was circulated in the meeting pack.
- 4.3 Implications of Trellick Tower Development Works on the Capital Programme for 2018- 2019
The Committee noted that the implications as requested was set out in the Capital Programme Update report which was circulated in the meeting pack.
- 4.4 Satisfaction surveys post telephone calls
Sacha Jevans confirmed to the Committee that a pilot introducing satisfaction surveys at the end of a sampling of calls taken at the Customer Contact Centre had commenced and it was intended to roll out to all calls taken if successful.
- 5. DECLARATIONS OF INTEREST**
- 5.1 The members of the Committee present confirmed that they had no interests which they were under a duty to disclose.
- 6. PERFORMANCE REPORT – Q4 2015/16**
- 6.1 Siobhan Bowman presented the quarterly performance report to the Committee. She gave a verbal summary of the contents of the report and invited questions from the Committee. The Committee discussed the trend in customer satisfaction and the difficulty in having a consistent trend comparison. It was clarified that the lifts contract had a four-hour response time and Peter Maddison agreed to provide an updated performance breakdown for the lifts' contractor.
- 6.2 Peter Chapman suggested that the target for the percentage of calls answered within 30seconds should be increased.
- 6.3 The Committee **NOTED** the contents of the report.
- 7. HOUSING REGENERATION PROGRAMME 2016/17 – PROJECT BIDS**
- 7.1 Dominic Davies presented six project bids submitted for funding under the Housing Regeneration Programme (HRP) by residents of certain housing blocks or estates. The

Committee noted that budget for the HRP Bid for 2016/17 was £125,000. The Committee discussed the proposed scoring process and it was agreed that each Committee member should vote, in hierarchical order, for their preferred project bid.

- 7.2 The Committee stated that future bids should highlight the following:
- (i) the number of dwellings in the bidding estate;
 - (ii) the cost per household per scheme; and
 - (iii) the predominant demographic of residents residing in the bidding estate.

The Committee also agreed the bids should be circulated to the Committee members with more time for consideration than currently given.

- 7.3 Paula Fance questioned why CCTV was not considered to be a solution for the schemes which were expressing security of the residents as a need for the improvements suggested. It was clarified that the residents did not feel that CCTV was the right option for their schemes and preferred exploring the improvements they submitted in their bids.
- 7.4 Brendan Tracey sought clarity on why the types of improvements proposed by the bidding estates were not routinely covered by the Capital Programme. Peter Maddison explained that the Capital Programme budget was unable to cover all environmental improvements desired by residents and as a result, the HRP funding helped to respond to needs identified by residents.
- 7.5 The Committee voted on each of the bids and upon the counting of the votes, it was **RESOLVED TO** agree and approve the allocation of the HRP funding for 2016/17 to the bids for 60 Slaidburn Street, Corbett House, and Penzance Street.

8. NEIGHBOURHOOD MANAGEMENT UPDATE REPORT

- 8.1 Teresa Brown presented the neighbourhood management update report which covered the activities of the neighbourhood management team for the period of 1 January 2016 to 31 March 2016.
- 8.2 Kush Kanodia suggested that before and after pictures of HRP schemes should be published in the Link magazine to showcase the success of the schemes and the improvement to the lives of residents.
- 8.3 The Committee **NOTED** the contents of the report

9. HOME OWNERSHIP UPDATE REPORT

- 9.1 David Ward presented the home ownership update report highlighting the activities of the business area for the fourth quarter of the 2015/16 financial year.
- 9.2 Paula Fance questioned why the major works repayment option was for thirty-six (36) months interest-free. She questioned whether it would result in the budget being funded by RBKC, being reduced because it was losing money. Paula Fance requested that further information should be provided on the impact of this payment option on the major works charges recovery.
- 9.3 Peter Chapman requested some information on the comparison with other boroughs. Brendan Tracey also suggested that the number of leasehold properties under

consideration should be stated in the applicable tables in the report.

- 9.4 The Committee **NOTED** the contents of the report.

10. CAPITAL PROGRAMME UPDATE REPORT

- 10.1 Peter Maddison presented the capital programme update report highlighting the activities on the capital programme for the fourth quarter of the 2015/16 financial year. He confirmed that the spend for 2015/16 was £11.8m and this was 3% above the budget. He confirmed that this was in addition to £6.5m for the Grenfell Tower. This was higher than was spend in previous years for the same period.
- 10.2 The update report also presented a detailed table showing the summary of the type and number of capital works, equivalent to the value of the investment in Trellick Tower, which would have to be deferred as a result of the decision to make the investment in the programme. It was made clear no works relating to the health & safety, wind and watertight elements of the other properties would be deferred. It was reiterated that the external repair was the basic standard required to make the building safe for wind and watertight. It was highlighted that RBKC had agreed to let future vacant properties for intermediate rent tenures to improve the NPV of the building and generate additional income to subsidise the high cost of the investment required for the building.
- 10.3 Peter Chapman reiterated that the Trellick Tower project would be consuming 40% of the capital programme budget for 2017/18. He reiterated that the Company should inform RBKC that the investment decision was now a wise decision because it as a disadvantage to the other residents in the properties managed by the Company who were beneficiaries of the capital programme.
- 10.4 The Committee **RESOLVED TO** note the contents of the report and recommend to the Board to assess the decision of RBKC and communicate its view on the decision to invest in the works in Trellick Tower.

11. ANNUAL COMPLAINTS REPORT

- 11.1 Yvonne Birch presented a summary of the complaints handled by the Company in the 2015/16 financial year.
- 11.2 Kush Kanodia clarified how the upheld complaints were being used to correct the Company's processes and procedures, and the lessons learnt from them to prevent reoccurrence. It was agreed that a detailed analysis of the complaints would be presented to the next meeting of the Committee.
- 11.3 The Committee **NOTED** the contents of the report
- 11.4 The Committee **NOTED** the contents of the report.

12. COMMUNITY CENTRE UPDATE

- 12.1 The Committee considered an update on the revised arrangements for community rooms managed by the Company. The Committee **NOTED** the contents of the report
- 12.2 The Committee **NOTED** the contents of the report.

13. DATE OF NEXT MEETING

13.1 The next meeting of the Company is scheduled for 28 July 2016.

13.2 The meeting closed at 8:50pm

DRAFT

**THE ROYAL BOROUGH OF KENSINGTON & CHELSEA
TENANT MANAGEMENT ORGANISATION LIMITED**
(the “Company”)

FINANCE, AUDIT AND RISK COMMITTEE
(the “Committee”)

Minutes of a meeting of the Committee of the Company
held on 13 April 2016 at 6.30 pm
at 346 Kensington High Street, London W14 8NS

PRESENT:

Resident Board Members	Anne Duru Kush Kanodia Deborah Price Maria Escudero-Barbaza	- Chair
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Council Board Member Jeff Zitron

APOLOGIES:

Simon Brissenden
Anthony Preiskel

IN ATTENDANCE:

Barbara Matthews	Executive Director of Financial Services & ICT RBKC Internal Audit Tri-Borough Head of Fraud External Auditor, RSM Audit UK LLP
John Barnett Andy Hyatt Stephanie Warboys	Policy & Improvement Manager Assistant Director of Finance Minutes
Janet Seward Rupa Bhola Daniel Asamoah	

1. NOTICE, APOLOGIES AND QUORUM

- 1.1 The Committee noted that notice had been given to all members of the Committee entitled to receive notice and attend the meeting.
- 1.2 It was also noted that the meeting was quorate according to the Terms of Reference of the Committee.

2 MINUTES OF THE MEETING HELD ON 10 DECEMBER 2015

The Committee **RESOLVED TO** approve the minutes of the meeting held on the 10 December 2015 as a true and accurate record of the meeting.

3. MATTERS ARISING

- 3.1 CRM Project
Barbara Matthews informed the Committee that new performance indicators would be applied in May 2016 when the CRM system will be launched. She added that since these new key performance indicators had not previously been used, targets could not

be set until sufficient performance data have been collected, and the targets would be set in March 2017. The Committee was assured that performance reports would be provided regularly and the performance benchmarked against comparative organisations in the sector wherever possible. The Committee requested for an update report at the October 2016 meeting.

3.2 Group Structure

Barbara Matthews reminded the Committee that update the group structure and taxation was presented at the March 2016 Board meeting. She explained that the Executive Team and the Board is required to discuss the group structure, proposed future activities and the tax implications before resuming further discussions at the Committee.

4. **DECLARATIONS OF INTEREST**

- 4.1 The members of the Committee present confirmed that they had no interests which they were under a duty to declare to the Committee.

5. **CORPORATE RISK REGISTER**

- 5.1 Janet Seward presented the revised corporate risk map for 2016/17. The Committee noted that some members of Board have attended a session with Zurich insurance to review and analyse the group risk map. The Committee was assured that risk map had been updated following the session with Zurich taking on board all of the resulting suggestions and conclusions.
- 5.2 The Committee agreed to recommend the revised version of the Corporate Risk Map to the Board, for its adoption, subject to the following amendments:
- including 'develop succession planning' as a second action in respect of risk number 4
 - insert 'RBKC appoints 4 Board members' in risk no 8 and delete 'RBKC appoints 3 Councillor Members'.
 - include 'develop succession planning for the Board Chair to ensure robust chairing of the Company's Board of directors'.

6. **INTERNAL AUDIT PROGRESS REPORT**

- 6.1 John Barnett presented an update report on the progress of the annual audit plan, which set out the key findings from internal audit work completed during the third quarter of the 2015/2016 financial year. The Committee noted that the purpose of the Company's audit was to provide assurance to the Board and RBKC as a stakeholder.
- 6.2 The Committee noted that all the six audits performed provided substantial assurance in each case with a few recommendations.
- 6.3 The Committee noted the following:
- Lift maintenance contract Audit provided a very good assurance.
 - Leaseholder consultation; income and debt recovery - No recommendations were raised from the audit and the Company had reacted well with the issues with Agresso financial systems.
 - Risk management - No recommendations were raised from the audit.

- Corporate accounts - No recommendations were raised as a result of the audit and the key system controls were adequate.
- TMO (HRA) accounts – No recommendations were raised as a result of the audit and the key system controls were adequate.
- Health and safety – No recommendations were raised from the audit. The previous issues with water quality had been rectified and improvements have been noticed. Barbara Matthew assured the Committee that the Company's Health and Safety Committee met regularly to deal with any issues and concerns.

6.4 The Committee requested for a summary report of the internal audit recommendations and a summary what had been done. Barbara Matthews agreed to provide a report in the next meeting.

6.5 The Committee noted that the internal audit report of the subsidiary company would be provided after September 2016 in line with the audit plan.

7. INTERNAL AUDIT PLAN 2016/17

7.1 John Barnett presented the internal audit annual plan for 2016/17. The Committee noted the following as new additions to the plan for 2016/17:

- CRM system;
- Treasury Management; and
- Contracts Register.

7.2 The Committee **AGREED** to recommend the proposed internal audit plan for 2016/17 to the Board for its approval.

8. ANNUAL FRAUD REPORT 2015/16

8.1 Andy Hyatt, the Tri-Borough Head of Fraud presented the report. The Committee noted that the report focused on the account of Housing and Tenancy fraud activity undertaken by Corporate Investigations Group (CIG) in the last 12 months.

The Committee noted that CIG had been under financial and recruitment strain lately, and had resorted to empowering its clients by providing training on how to detect and prevent fraud.

8.2 The Committee noted that:

- fraudulent cases had been identified through fraud prevention.
- there were measures in place to prove to the community that there is non-tolerance of fraud in the Company
- there were techniques in place to clawback unlawful profits especially from tenants who sublet the council's property.

8.3 The Committee **AGREED TO** note the contents of the report.

9. EXTERNAL AUDIT PLAN

9.1 Stephanie Warboys presented the external audit plan. It was noted that key risks which could affect the audit plan were:

- management override of internal controls.
- adoption of Financial Reporting Standard (FRS) 102 for the year ended 31 March 2016.
- taxation – due to change in trading status.

9.2 The Committee noted that the adoption of FRS 102 would increase the audit work by 15% which accounted for the increase in fees for the Company; however, the increase would be offset by a fee reduction for the subsidiary due to the new charging model which had simplified the accounts and audit.

The Committee noted that there were the other external audit work aspects which included certifying compliance with the Modular Management Agreement to RBKC and tax compliance due to the iXBRL format.

9.3 The Committee was concerned about the length of service of the auditors. Stephanie Warboys assured the Committee that RSM Audit LLP has a culture of rotating audit managers in order to preserve auditor independence. The Committee requested a report on governance of audit and retender for external audit work. Barbara Matthews welcomed the suggestion and agreed to provide the report at the next meeting.

9.4 The Committee **RESOLVED TO** recommend the proposed external audit plan for 2015/16 to the Board for its approval.

10. TREASURY MANAGEMENT POLICY

10.1 Barbara Matthews presented a draft Treasury Management Policy to the Committee, for its consideration. The Committee noted that the policy, as drafted, reflected the change in Group structure and proposed to allow other forms of short-term deposits or investments.

10.2 Barbara Matthews informed the Committee that the Company had a reasonable amount of cash to invest because it held a balance of between £700k and £2m. She added the subsidiary company had the potential to generate extra cash. The Committee noted that the aim of the Policy is to make best short-term use of cash resources.

10.3 Proposed Investment in K & C Credit Union

Barbara Matthews informed the Committee that the Company had been approached by the K & C Credit Union to take up 100k £1 deferred shares, with a proposed annual return of 3%. Barbara Matthews invited the Committee to consider the proposition.

10.4 The Committee considered the proposition and highlighted the following:

- the credit union brings its own associated risks.
- the 3% return was not guaranteed, and this must be made clear to the Board.
- even though the proposition was a risky one, it would not negatively affect the company in the event of a loss of the investment.
- the proposition seemed to be more of a business decision than a financial decision, and it would make sense if Your Credit Union was engaged as a subsidiary.
- the Company needed to undertake its due diligence.

- 10.5 The Committee noted that the decision from the Company was crucial because the investment was time-sensitive for K & C Credit Union who needed to meet the demands of the financial regulator. The Committee members agreed not to recommend the proposition for consideration by the Board and requested for the following:
- a legal opinion from the legal advisers;
 - alternative options for investment;
 - ascertain the implications of losing the £100k investment and the opportunity cost of not proceeding with the investment.
- 10.6 The Committee **RESOLVED TO** agree to recommend the draft Treasury Management Policy to the Board for its adoption subject to the minor amendment to the policy.

11 ANY OTHER BUSINESS

- 11.1 There was no other business to consider.

12 DATE OF NEXT MEETING

- 12.1 The next meeting would be held on Thursday, 7 July 2016.

13. CLOSE OF MEETING

- 13.1 The meeting closed at 8:55 pm

**The Royal Borough of Kensington and Chelsea Tenant
Management Organisation Limited**

Board Forward Plan

Date of Meeting	Agenda Items
20 July 2016	
	Non-routine/Special Items
	HRA Commercial Portfolio 2014/15
	Annual Health & Safety Report
	Draft Financial Statements
	ICT Strategy
	Contract Approval - Cleaning Services
	Procurement Policy
	Appointments & Remuneration Committee Terms of Reference
29 September 2016	
	Non-routine/Special Items
	Re-appointment of Council-Nominated Board Members
	Retirement and Reappointment of Independent Board Members
	Chair/Vice-Chair Elections
	Business opportunities for KCTMO and structure
	Implications of RBKC and National Policies on 2016-2017 and 2018-2019 Capital Programme
	Commerciality of the RD cost model in comparison to DLO organisations
	Retirement and Reappointment of Resident Board Members
24 November 2016	
	Non-routine/Special Items
	RBKC Mid-Year Review