

Agenda Item 2



THE ROYAL BOROUGH OF KENSINGTON & CHELSEA TENANT MANAGEMENT ORGANISATION

TMO Board Meeting held on 8th January 2013

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

Apologies: Mr Peter Molyneux, Council appointed Board Member
 Not present: Mr Reg Kerr-Bell, Borough wide Board Member

In attendance:
 Mr Robert Black, Chief Executive
 Mrs Rupa Bhola, Assistant Director of Financial Services
 Ms Yvonne Birch, Executive Director of People and Performance
 Mrs Angela Bosnjak-Szekeres, Governance Manager and Company Secretary
 Ms Sacha Jevans, Executive Director of Operations
 Mr Andy Marshall, Assistant Director of Partnering
 Mr Anthony Parkes, Executive Director of Financial Services and ICT
 Mr Peter Dunne, Consultant
 Ms Jane Clifton, Executive Office Manager

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1. Introduction

The Chair welcomed Board members to the meeting.

Cllr Judith Blakeman declared an interest in the agenda item on Grenfell Tower as she is a co-opted member of the Lancaster West EMB board.

2. Minutes of meeting held on 15th November

The minutes of the meeting held on 15th November were agreed and signed as a correct record.

3. Matters Arising

3.1 RBKC Property Services' update - confirmation was given that this report would be presented to the next Board meeting on 21 March.

4. Chief Executive's report

The Board noted that the Children's Forum New Year event on 4th January had been very positive, and showed that the TMO was now engaging more widely in the community. Board members asked the following questions on the report:

1. It was queried whether there was a dispute on the responsibility for fire doors between RBKC and the Fire Brigade. Anthony Parkes reported that following a meeting at the Council with the Fire Brigade, no resolution had been found, and the matter had now been referred to the Secretary of State. Two separate pieces of legislation gave conflicting advice on this matter. However, it had been confirmed at the meeting that the TMO had fulfilled its obligations by carrying out the assessments, and informing the statutory authorities of any issues arising from these. No further action could be carried out until the responsibilities of the two statutory authorities had been established. Further clarification was given that leaseholders could go ahead with replacing their doors in the meantime, but the TMO had no powers to enforce replacement until the dispute was resolved.
2. Progress on the Credit Union was queried. £260k had already been received in payments, and payroll savings from the TMO and other organisations/individuals would

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begin at the end of January. By the end of February, it was hoped that the Credit Union would be in a position to begin making loans. The structure was now in place for rolling out the service.

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3. The background to the £1m lottery fund payment to World's End Estate and the Lots Road area was queried, and why other estates such as Cremorne, Sir Thomas More and Danvers Street had not been included. It was explained that the TMO had not been aware of the donation until the announcement was made, and local groups would determine how the money was spent. At that stage, it might be possible to put a case forward for spending to be extended to other estates.

4. Board members were advised that RBKC had now appointed a consultant to look at sheltered housing within the borough, including schemes within TMO stock, and there would be consultation on any proposals. A further update to be obtained for Tony Annis.

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5. 2013/14 Rent Report

A joint presentation was made by Steve Mellor, RBKC Housing Finance Manager, and Anthony Parkes, Executive Director of Financial Services and ICT, on the proposed HRA budget, and rent increases for 2013/14:

- The rent increase and budgets were presented to the Board, then the Tenants Consultative Committee on 9 January, and Housing and Property Scrutiny Committee on 16 January before approval of the Key Decision Report by Cllr Coleridge.
- The self-financing regime had been introduced in April 2012 which had replaced the old subsidy regime, and had been welcomed by local authorities. RBKC debt had increased by £24.9m in April 2012, and the financing of the new debt was covered by the HRA.
- The total HRA budget for 2013/14 was £54m, and was made up of the TMO Management Fee, the Managed TCC budgets, and the Council managed HRA budgets.
- The TMO Management Fee was £10.4m, an increase of £300k, which included 1% inflation for salary costs, and an increase in business rates, previously covered by a discount from central government, but now limited to £40k for any one organisation. The increase in business rates was £140k. We would also be recruiting two additional welfare officers who would try and help people from getting into financial difficulty following the introduction of the bedroom tax, and overall benefit cap. An estimate had been made of how many families would be affected by the benefit changes, and more would be affected by the bedroom tax.

We would also be recruiting an additional project officer to work on parking because of our success in creating more income from the car parks. We would aim to achieve a small surplus from the £10.4m budget, which also included Lancaster West EMB.

- The TCC Managed Budgets had been increased by £1.34m because of a carry forward on planned maintenance from 2012/13. This programme had been held up by a legal case in Southwark, and a decision had been taken not to carry out external painting for 2012/13 during the winter. There had also been an increase of nearly £400k for responsive repairs because the Morrison contract had been terminated due to the contractor incurring significant losses, and Willmott Dixon had taken on the contract with a more realistic budget. There had been an increase in bad debt provision of £325k because of the benefit changes, and this figure would be re-assessed during the year. There was an increase in income of £1.3m, excluding rents, because of the increase in commercial parking income, and an increase in leaseholder insurance charges (previous company had not renewed their contract because of losses). There would also be an increase in the recovery of major works' costs as the final accounts for Elm Park Gardens were due to be closed at the beginning of 2013/14.
- On the Council Managed Budgets totalling £22m, £11m was debt charges, both new and historical debt. Other areas were depreciation/transfer to capital, insurance, recharges for Council services, and development/regeneration.
- Rent setting was a statutory requirement, and was done in line with the rent restructuring regime. Under this regime, 2015/16 was the convergence date for rents, but it would take several more years for many properties to achieve this. The average local rent would be £111, which was an average increase of 4.5%. A comparison of 2012/13 rents showed that Hammersmith & Fulham were lower than RBKC, but Wandsworth and Westminster were higher.
- On the overall budget, there would be a surplus of £2.4m which would be added to the working balance, and by the end of 2013/14 this would be £18m. Financial modelling showed that the working balance would be £44m in five years' time, but the annual £7m contribution to the capital programme was insufficient, therefore creating a shortfall. We would also be using all the capital and major works' reserve in 2013/14.

The key messages were:

- The national formula had been used to calculate the rent increase
- The average rent increase would be 4.5%

- We had a healthy HRA working balance which would be used in the medium term for capital works.

Board members asked the following questions:

1. It was asked that a schedule of rent increases be provided for individual blocks by the TCC meeting on 9 January. Confirmation was given that 6.5% would be the highest rent increase.
2. It was queried whether borrowing against the General Fund was cheaper, and it was confirmed that the Public Loans Board would make loans to RBKC because of the level of our reserves, but their rates were fixed at a very high rate, and we would have to pay upfront.
3. It was noted that RBKC had the highest target rent in the comparison with three other boroughs, and this reflected the high property values within the borough. An explanation was given that a comparison had been made with the other boroughs within the tri-borough arrangement, and also Wandsworth who had breached the rent restructuring rules.
4. With reference to all re-lets being let at the target rent level, it was asked whether this would provide a case for down-sizing existing tenants. Confirmation was given that although voids were let at target rent, we still adhered to the national formula.
5. With reference to choices under the Equalities Impact Assessment, it was pointed out that this could mean people moving out of the borough because there were insufficient smaller properties. However, if they could be re-housed, larger properties would be freed up. The overall strategy was to consider alternative options i.e. promotion of the mutual exchange scheme.
6. It was commented that the Equalities Impact Assessment did not provide financial information i.e. were rents affordable, and what proportion of tenants' incomes were taken up by their rent? It was thought that more analysis should be made since we were committed to assisting tenants with benefit changes, and also how the effectiveness of any assistance would be measured. Confirmation was given that with the two new welfare officers, it would be possible to be more proactive in this area. We were also carrying out a rent assurance project which would take into account the implementation of the benefit changes. At present, the TMO did not have data on residents' income if they were not on housing benefit, and estimates of how many would be affected by the changes was based on existing data. Confirmation was given that we would look at the impact of the rent increases, and also assess the effectiveness of the welfare officers. It was agreed that an update on the draft framework be brought

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- back to Board on 21 March for this evaluation.
7. In addition to maximising income for tenants affected by the benefit changes, the new welfare officers would also refer people to specialist debt advice agencies.
 8. It was queried what was being done for tenants who were over-occupying. Confirmation was given that RBKC had a scheme to encourage tenants to move to smaller accommodation, but incentives had to be provided to encourage people to give up their homes. The TMO would be liaising with RBKC on this scheme.
 9. It was suggested that a survey of household size might also be useful in providing information on overcrowding. However, tenants who suffered overcrowding were more proactive in seeking alternative accommodation, and it was difficult to keep this data up to date as occupancy levels fluctuated.
 10. Clarification was given on the fluctuations for the Managed TCC Budgets, which reflected fluctuations in electricity and gas prices over recent years. However residents were paying approximately 40% less than people in private properties because of savings through bulk purchasing.

The Board noted that the TMO's financial position was good following previous cuts in the management fee over a number of years. The HRA was now in a much healthier position with 1% for increased costs, and funding for three new posts. An additional £500k in income was forecast from the work done on parking with RBKC. **The Board noted the recommendations in HRA Rent Report for 2013/14.**

6. Budgets 2013/14

The Board noted that the budgets for 2013/14 had been considered by the Finance, Audit and Risk Committee at their meeting on 13 December. The main variances were listed in para (2), and included the increase in the management fee, and a decrease in the Stable Way travellers' site income which reflected an increase in costs. The Community Alarm Service was forecast to achieve a slight increase in income, and legal costs had gone down substantially reflecting a review of costs carried out this year. People costs would be increasing with three additional posts, and 1% for pay increases, and increases on non-domestic rates for office accommodation. IT costs would also increase because of ongoing maintenance costs for support services.

The Board agreed the TMO Company Budgets and HRA Managed Budgets for 2013/14.

7. Grenfell Tower Regeneration Project

Sacha Jevans presented this report, and gave apologies for Mark Anderson, Director of Assets and Regeneration. The Grenfell Tower Regeneration Project was being carried out in conjunction with the RBKC's KALC project framework, which had a series of stages. The Board was being asked to approve the Stage D cost plan for works which were outlined in para 6.2. The tender package for Stage D would be procured through the Leadbitter Group.

Board members asked the following questions:

1. Section 106 for the creation of new dwellings was queried, and confirmation was given that a Section 106 fee would be built into overall costs. The hidden homes' projects were also subject to this fee although all new units would be social housing.
2. It was queried why the transfer of HRA land to the Academy as mentioned in the Key Decision Report had not been reported to the Board. However, the transfer of land/property was within RBKC's remit, and did not require Board approval. Clarification was given that the land in question was the car parking area.
3. It was queried whether the Leadbitter Group would follow TMO procurement procedures when tendering the different elements of work. Confirmation was given that they would have their own procedures and supply chains which had previously been endorsed by RBKC.

The Board agreed the following recommendations:

1. The Stage D cost plan as outlined in para 6.2
2. The progression of the tender package procurement through the Leadbitter Group
3. The award of the construction phase contract within the cost parameters outlined in the Stage D report, para 6.2.

8. Code of Governance review

Angela Bosnjak-Szekeres presented the Code of Governance review which should be carried out every two years in order to take account of any legal and governance changes, and to reflect governance practice within the TMO. The revisions had also taken into account the governance and regulation guidelines published by the National Housing Federation in 2012.

Board members asked the following questions:

1. The section on Board Member expenses was queried, and confirmation was given that the changes to section 2.5 reflected current TMO practice. It was also asked whether

- Board Member expenses could be increased, and this could be considered.
2. With reference to section 16, it was queried how the Job Description for the Chief Executive was drawn up, and confirmation was given that the role was defined by delegated powers from the Board. Some of the items which had been listed for the Chief Executive's Job Description were not relevant, and had therefore been removed. However, the Appointments Panel could review the Job Description.
 3. It was queried whether additional powers were being given to the Chief Executive and other members of the Executive Team in 1.7. However, the intention of this clause was to give further explanation of the term 'Director'.
 4. With reference to para 2.12 on the Board's constitution, it was explained that the term 'social landlord' had been replaced by 'organisation' because the TMO had never been a social landlord.
 5. The term 'and others' had been added to the list of skills required by Board members for the eventuality that other skills may be required.
 6. It was noted that para 2.6.3 on declarations concerning membership of organisations and conflicts of interest had been expanded due to changes in the law.
 7. It was suggested that para 1.5 concerning an enquiry or breach of the constitution should say a report would be made by the Company Secretary to the Chief Executive and the Chair of the Board rather than 'and/or'. However, this allowed for a matter to be reported to one of them if it concerned the other person.
 8. With reference to para 6.8 concerning complaints about members of staff, clarification was given that any complaint about the Chief Executive should be made to the Chair who would then raise it with HR.

The Board agreed the proposed changes to the Code of Governance with two votes against.

9. Feedback from the committees

The Board noted items discussed and agreed by the Finance, Audit and Risk Committee at the meeting on 13 December. The main items considered had been the ISP Financial Plan, and it had been agreed that it should be presented to the Board with more assurances on the robustness of the plan, and value for money. The draft budgets for 2013/14 had also been agreed for presentation to the Board for approval. Jon Dee had attended his last TMO meeting before retiring as a Board member, and had been thanked for his services to the Board and the Finance, Audit and Risk Committee. **The Board noted the contents of the**

report.

10 Any other business

- 10.1 Swinbrook Residents Association - it was noted that Swinbrook Residents Association had proposed that the profits from the letting of their community rooms be split 50/50 between the residents association and the TMO. The Board noted that a review was due to begin the week commencing 14 January of the process for the letting of community facilities. YB
- 10.2 Senior Citizens' New Year party - 18 January - arrangements for the annual New Year's party were noted by the Board
- 10.3 Clare Lees - thanks were given to Clare Lees, Governance Officer, for the work that she did on behalf of Board members.

11 Date of next meeting

The next Board meeting would be held on Thursday, 21 March 2013, at 6.30 pm.

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