

Southwark Council – Management response and actions

April 2024

Area	Recommendation	Management response and actions
<p>1. Roles and Responsibilities</p> <p>The funding allocated to FCHS for external decorations has not been used for its intended purposes.</p>	<p>1.1) Contact all TMOs and ensure they are fully aware of their roles and responsibilities.</p>	<p>This is happening and monthly meetings with TMOs managers are being held with discussions about roles and responsibilities being a standard discussion point for each meeting. Various departments of the council ranging from major work, repairs, housing allocations and area management are invited to discuss their service areas so TMOs have a better understanding of the delegated roles and the retained responsibilities of the council.</p>
		<p>The Strategic Business Manager also providing business planning and financial governance training and support to all TMO Managers. A business planning guide and excel spreadsheet has been developed by the Strategic Business Manager and TMOs are being supported to provide a costed business plan at the beginning of the financial year.</p>
	<p>1.2) Consider holding workshops for TMO's so roles and responsibilities can be reinforced</p>	<p>Workshops are planned for Summer 2024 with independent facilitators (national federation of tenant management organisations (NFTMO) and the tenant participation advisory service (TPAS) to provide refresher training on the modular management agreement, so roles are fully explained and reinforced in workshops. A matrix setting out the responsibilities of the each TMO and the retained responsibilities of the council has been developed by the TMI team and would be ready to be rolled out in Summer 2024.</p>

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		<p>STMOC is also in the process of appointing an independent auditor to review TMO allowances based on Chapter 6 Clause 1 (Calculation of Allowances) of the Modular Management Agreement (MMA). This exercise will also further help to clarify and reinforce the roles and responsibilities of the council and the TMO as the allowances will only be paid for the delegated responsibilities set out in each TMO MMA.</p>
<p>2. Training</p> <p>The funding allocated to FCHS for external decorations has not been used for its intended purposes.</p>	<p>2.1) Consider implementing a regular training programme for TMO staff to act as a refresher for existing staff and to ensure any new staff have been trained. Alternatively, obtain copies of training records to ensure TMO staff have received regular training.</p> <p>2.2) Contact all TMO's and confirm if they would like to receive any additional training on their roles and responsibilities, which the Council could provide.</p>	<p>This is in progress and financial governance and financial management training is being provided by the strategic business manager. Tenancy management and contract monitoring training is being provided by the resident involvement manager.</p> <p>A qualifications audit in line with the requirements of the Social Housing (Regulation) Act 2023 has been completed and the records have been provided to the Strategy and Business support team. A contract monitoring tool is being developed by BDO to assist with monitoring. Northgate housing management training is being provided by the council to TMOs.</p> <p>More training programmes are planned with the National Federation of TMOs and TPAS and all TMOs are signed up to this. A complaints management and tenancy standard training has been provided which has improved the way complaints are managed by TMOs. Following the tenancy standard training, a more forensic tenancy management audit has been successfully completed in one of the TMOs and verifications checks are being done by the housing options team to ensure compliance with the law that governs housing allocations and</p>

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		the transfer of the various legal interests in the council housing is allocated and managed.
<p>3. Allocation of funding</p> <p>The funding allocated to FCHS for external decorations has not been used for its intended purposes.</p>	<p>3.1) Contact TMO's and confirm they understand what all the payments issued by the Council to them can be used for.</p>	<p>This is in progress and the and the strategic business manager is supporting TMOs with developing costed business plans for all TMOs for each delegated responsibility in the management agreement.</p> <p>A TMO allowance review has been agreed with STMOC and this exercise will start in the next quarter which will further enhance the understanding of the TMOs of the delegated allowance framework as set out in chapter 5 of the modular management agreement.</p>
	<p>3.2) Ensure all payments to TMO's include an appropriate description of their use.</p>	<p>In the interim, all external decorations allowance payments have been frozen for TMOs whilst support and training is provided by the strategic business manager to ensure compliance with the management agreement and this will cover the requirement of TMOs to have:</p> <ul style="list-style-type: none"> • a specified ring-fenced account • an approved procurement process • a transparent and accountable governance process • minutes of meetings to support decisions
<p>4. Analysis of spend</p> <p>The funding allocated to FCHS for external decorations has not been used for its intended purposes.</p>	<p>4.1) Ensure all TMO's maintain adequate evidence of their spending and transactions are clearly documented to which fund they relate.</p>	<p>This is in progress and the and the strategic business manager is supporting TMOs with developing costed business plans for all TMOs for each delegated responsibility in the management agreement. A TMO allowance review has been agreed with STMOC and this exercise will start in the next quarter which will further enhance the understanding of the TMOs of the delegated allowance framework as set out in chapter 5 of the modular management agreement.</p>

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		<p>In the interim, all external decorations allowance payments have been frozen for TMOs whilst support and training is provided by the strategic business manager to ensure compliance with the management agreement, and this will cover the requirement of TMOs to have:</p> <ul style="list-style-type: none"> • a specified ring-fenced account • an approved procurement process • a transparent and accountable governance process • minutes of meetings to support decisions
	4.2) Consider conducting a forensic audit of FCHS's spend to verify where they spent the External Decorations fund and if they remain a going concern	FCHS has returned £1million of the external decorations allowance to the council and once the BDO report is released to FCHS, constructive dialogue will start with regards to a recovery plan for outstanding external decorations allowance
<p>5. Missing evidence</p> <p>The Council has not performed adequate monitoring of the FCHS to identify that funding for external decorations has been allocated in error.</p>	5.1) Ensure all documentation is saved in a central location on a shared drive so it can be accessed by all responsible officers. This will also allow senior officers to have overall scrutiny of the monitoring done to ensure it complies with the MMA.	This recommendation has been factored in the restructure with a dedicated Project Officer to manage migration of all files to info@work which can be accessed by all authorised officers and managers.
<p>6. Budgets</p> <p>The Council has not performed adequate monitoring of the FCHS to identify that funding for</p>	6.1 Ensure officers obtain copies of TMO's budgets on an annual basis at the start of the fiscal year. The Council should consider introducing a contract management	This is in progress and BDO have been commissioned to develop a contract monitoring checklist. The data management team is also simultaneously developing a digital framework to collect performance data for power BI analysis. A specialist performance data analyst role is in the new structure to optimise performance monitoring and management.

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external decorations has been allocated in error.	checklist to ensure the role is adequately performed.	<p>This is in progress and the and the strategic business manager is supporting TMOs with developing costed business plans for all TMOs for each delegated responsibility in the management agreement. A TMO allowance review has been agreed with STMOC and this exercise will start in the next quarter which will further enhance the understanding of the TMOs of the delegated allowance framework as set out in chapter 5 of the modular management agreement.</p> <p>In the interim, all external decorations allowance payments have been frozen for TMOs whilst support and training is provided by the strategic business manager to ensure compliance with the management agreement and this will cover the requirement of TMOs to have:</p> <ul style="list-style-type: none"> • a specified ring-fenced account • an approved procurement process • a transparent and accountable governance process • minutes of meetings to support decisions <p>FCCHS has returned £1million of the external decorations allowance to the council and once the BDO report is released to FCCHS, constructive dialogue will start with regards to a recovery plan for outstanding external decorations allowance.</p> <p>The strategic business unit manager is working with all TMOs to develop a fully costed budget. Training and support is on offer.</p>

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<p>7. Quarterly revenue reports</p> <p>The Council has not performed adequate monitoring of the FCHS to identify that funding for external decorations has been allocated in error.</p>	<p>7.1 Regularly request evidence of the TMO's quarterly revenue report and scrutinise spend accordingly.</p> <p>7.2 Introduce a quality control check to confirm the correct monitoring is being performed by officers.</p>	<p>This is in progress and the strategic business manager has developed a business planning spreadsheet to assist TMOs with business planning and to work within a fully costed budget. Quarterly returns are collected by the TMI team and the strategic business manager and the finance manager scrutinise the quarterly finance reports to identify trends in expenditure and check budgets against actual expenditures. BDO have been commissioned to develop a contract monitoring checklist. The data management team is also simultaneously developing a digital framework to collect performance data for power BI analysis. A specialist performance data analyst role is in the new structure to optimise performance monitoring and management.</p>
<p>8. Major works bank account</p> <p>The Council has not performed adequate monitoring of the FCHS to identify that funding for external decorations has been allocated in error</p>	<p>8.1) Introduce a contract management checklist to ensure all elements of the MMA are being met by the TMO. The checklist should be reviewed annually.</p>	<p>This is in progress and a contract monitoring tool is being developed by BDO. The data management team is also simultaneously developing a digital framework to collect performance data for power BI analysis. A specialist performance data analyst role is in the new structure to optimise performance monitoring and management.</p>
<p>9. Officer attendance at meetings</p> <p>The provisions for monitoring and oversight of FCHS under the MMA have not been exercised by the Council.</p>	<p>9.1) The Council should decide whether officers should attend all TMO quarterly Board meetings to provide the adequate scrutiny required.</p>	<p>This is being monitored and a calendar is now in place for the attendance of the TMI team at the various TMO governance board meetings.</p>

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	9.2) The Council should ensure attendance at Board meetings is in line with the stipulated requirement.	This is being monitored and a calendar is now in place for the attendance of the TMI team at the various TMO governance board meetings.
<p>10. Quarterly Board meetings</p> <p>The provisions for monitoring and oversight of FCHS under the MMA have not been exercised by the Council.</p>	10.1) TMO quarterly Board meetings should include financials as a standard agenda item to ensure it receives regular scrutiny.	Financial governance and reporting is now a standard agenda item for all TMO governance board meetings and this is monitoring by the TMI team. A project officer and data analyst role is in the new structure to collect and analyse all performance data and the strategic business manager now reviews all accounts (income and expenditure) of TMOs on a quarterly basis.
<p>11. Performance monitoring/liaison</p> <p>The provisions for monitoring and oversight of FCHS under the MMA have not been exercised by the Council.</p>	11.1) Introduce a standard agenda for the quarterly performance meetings.	Financial governance and reporting is now a standard agenda item for all TMO governance board meetings and this is monitoring by the TMI team. A project officer and data analyst role is in the new structure to collect and analyse all performance data and the strategic business manager now reviews all accounts (income and expenditure) of TMOs on a quarterly basis.
	11.2) Ensure minutes are taken for the quarterly performance meetings to document discussions and assigned actions.	<p>Minutes of all TMO meetings are being collected and filed. A project officer role has been created in the new structure and the primary function of this role is to collect and safely file all TMO board and committee minutes on info@work.</p> <p>Info@work is an electronic data management system used to safely store all files and records. Access is restricted and the files can be simultaneously accessed by more than one user</p>
<p>12. Random Sampling</p> <p>The Council has not performed adequate monitoring to assure itself that funding allocated for</p>	12.1) The Council should enhance their audit sampling by introducing an audit methodology, which targets specific areas of TMO	This is now happening and BDO are regularly asked to focus on key areas in their audits. For example, BDO have been commissioned to specifically focus on the use of external decorations funding for a number of TMOs and the governance around recruitment and procurement. The enhanced contract monitoring checklist that is

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external decorations have been used for the stated purpose.	activity on a regular basis to pro-actively identify any issues.	being developed by BDO and will ensure that every aspect of TMO management ranging from repairs and maintenance, financial management, tenancy management recruitment and the governance framework are monitored and the data collected is analysed to identify trends and variances to inform the decisions on any aspects of TMO management that would require a further probe.
<p>13. Five yearly review</p> <p>The Council has not performed adequate monitoring to assure itself that funding allocated for external decorations have been used for the stated purpose.</p>	13.1) The Council should consider how it will meet the five yearly review requirement of the MMA and confirm all parties involved are aware of their responsibility.	<p>A calendar and matrix setting out the anniversary of each management agreement is being developed. This will set out the following information:</p> <ul style="list-style-type: none"> • Name of each TMO • Date of the management agreement • Anniversary of each management agreement • Date of last TMO continuation ballot • Date of AGM • Date when the five year review is due <p>A dedicated project officer and data analyst role is now in the new structure and the key priority for these roles would be providing crucial administrative support and providing a sound data management framework to ensure all TMO management activities are profiled and analysed to ensure greater scrutiny and accountability in the management and governance of TMOs.</p> <p>Regular quarterly meetings are now held with all TMO managers and this is supported supplement further with quarterly meetings with STMOC to ensure issues that touch the management and governance of all TMOs are regularly discussed including give yearly reviews. The</p>

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		contract monitoring tool being developed by BDO will further enhance the council's ability and capability to ensure all parties are aware of their responsibilities.
<p>14. MMA review</p> <p>The MMA between the Council and FCHS has not been kept up-to-date and is not correct with regards to external decorations roles and Responsibilities.</p>	<p>14.1) Introduce a schedule for review of the MMA.</p>	<p>This is in progress and a project officer and data analyst roles are in the new structure to ensure data on all the MMAs are recorded with governance dates for annual general meetings, TMO continuation ballots and five yearly review dates.</p>
	<p>14.2) Assign an officer responsible for ensuring the MMA remains up to date.</p>	<p>As above.</p>
<p>15. Debt recovery procedure</p> <p>The Council does not have feasible plans in place in relation to the balance between the funds assigned and used in error, including whether leaseholders are required to pay for the external decorations again.</p>	<p>15.1) Introduce a documented process outlining when and how it will seek to recover funds from a TMO used in error.</p>	<p>A guideline has not been developed yet but this is being developed and would be in place by October 2024. In the meantime all TMOs are contacted to set out the errors in the payment and once this has been established an affordable repayment is agreed. In the case of FCHS £1 million has been returned and the council will be holding a constructive dialogue with regards to the repayment of the balance.</p>
<p>16. Recruitment</p> <p>TMO managers and staff are appointed without a recognised recruitment and appointment process, which considers the skills, knowledge and experience required for the role.</p>	<p>16.1) Remind TMO's about the requirement within the MMA for all job applicants to complete a job application form.</p>	<p>In progress. This has been discussed with all TMO managers and STMOC and a qualifications audit has been successfully carried out. STMOC and TMO managers are constantly reminded at the quarterly meetings about the need to follow a proper recruitment process and further that this will form a regular part of the quarterly monitoring. The TMI team also support TMOs with recruitment and verification checks are carried out to ensure a fair, open and transparent recruitment process.</p>

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<p>17. External auditors</p> <p>The external auditors are not appointed in accordance with procurement rules and the appointment does not extend to consideration of the financial requirements of the MMA and use of funding.</p>	<p>17.1) Remind TMO's of the process for appointing external auditors.</p>	<p>This is in progress and this has been discussed with STMOC and the TMO chairs. The TMI team attend the annual general meetings (AGM) of the TMOs. The AGM agendas are checked to ensure compliance with the constitutions of the TMOs which requires, amongst other things, presentation of audit report and appointment of auditors. .</p>
	<p>17.2) As part of the Council's contract management process, ensure evidence is received of the decisions to annually appoint external auditors</p>	<p>Minutes of the AGM minutes are collected and stored. A project officer role is in the new structure and a key function is to ensure that all minutes of meetings are stored in info@work</p>
<p>18. External consultant report</p> <p>The recommendations arising from the external consultant's report have not been adequately addressed.</p>	<p>18.1) Review the report on self-financing and implement the recommendations. If the Council accepts the risk of not making any changes, then this should also be documented and approved by senior management</p>	<p>A project team is now being put together to review the self-financing management agreement with the Leathermarket JMB.</p> <p>The council anticipates formal negotiations to start in October 2024 and for a new agreement to be in place by April 2025.</p>