

Tenant Management Organisations (TMOs) guide

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What is a TMO?

TMO simply stands for Tenant Management Organisation, tenants managing the organisation.

A TMO is an organisation which satisfies the following conditions:

- (a) it has a constitution in written form;
- (b) its constitution specifies an area in relation to which it seeks to enter into a TMO agreement with an authority;
- (c) its constitution provides that any tenant of a house in that area may become a member of the TMO;
- (d) its constitution provides that, in conducting its affairs, the TMO must avoid any unlawful discrimination;
- (e) its constitution provides that the affairs of the TMO must be conducted either—
 - (i) by the members of the TMO at a general meeting; or
 - (ii) by a committee or board of directors elected by members of the TMO.

TMOs are independent legal body (companies) set up specifically by residents to provide housing management services on behalf of the local authority.

Their members are unpaid volunteers who want to improve the quality of people's lives by taking on more responsibility for local services.

In order to provide services, the tenant led company (TMO) must enter into a legal contract (the management agreement) with the council. The management agreement is the core legal document which describes the roles, responsibility and authority of the TMO in service delivery.

The council pays the TMO management and maintenance allowances for delivering the housing services on its behalf.

TMOs can be set up where there are 25 or more council tenanted homes on the estate.

TMO's take on different forms and sizes. Some TMO's manage a handful of homes while others manage large estates of a thousand homes or more. Very small TMO's rely on mainly on voluntary effort but most employ staff such as housing managers, caretakers and repair workers.

The TMO does not affect tenancy rights. So, for example, council tenants managed by a TMO still have the council as their landlords and retain all their rights as a council tenant.

The Right to Manage

[The Housing \(Right to Manage\) Regulations 2012](#) give tenants in council homes the right to take over the management of their homes.

To exercise the right to manage, resident groups must show that they have a constitution which:

- represents the people living in the area
- takes responsibility for the issues in the area

Local authority tenants and leaseholders have had a statutory Right to Manage since 1994. By forming a Tenant Management Organisation, and following Right to Manage Regulations, such tenants can take over responsibility for managing housing services, such as repairs, caretaking, and rent collection from their landlord.

Tenant Management Organisations are proven models of community control that can improve service quality, secure better value for money, and boost satisfaction.

What TMOs do

Services managed by the TMO's vary, some may manage all aspects previously managed by their landlord/council while others choose only a few. TMOs can decide to take over a few responsibilities at first and increase them later, once they're experienced and established. They can also hand tasks back to the council if they no longer want that responsibility or are having difficulties.

TMO Services to Tenants and Leaseholders

Some of the typical tasks overseen by TMOs are:

- Resident involvement and engagement
- cleaning and caretaking of estate
- collecting rents and arrears management
- day to day repairs and maintenance
- dealing with anti-social behaviour
- dealing with neighbour disputes
- employing and managing staff to carry out these functions
- ensuring the tenants are informed and listened to
- major works and improvement
- managing and controlling the budgets for managing the estate
- services to leaseholders
- statutory and non-statutory consultation

How to set up a TMO

[The Housing \(Right to Manage\) Regulations 2012](#) provide a clear process for aspiring Tenant Management Organisations to take over management responsibility for local services.

To initiate the process, a Tenant Management Organisation must serve a written notice on the local authority of its intention to exercise the Right to Manage. This notice must propose managing at least 25 homes let on secure local authority tenancies, within the area set out in the notice. There is no upper limit for the number of properties managed by Tenant Management Organisations.

How to qualify

Resident groups can approach the council about taking over the management of their homes by serving a statutory right to manage notice. The resident group must represent at least 25 council homes and must have membership from at least 20% of the homes they manage. The resident group must be able to show that they are active, inclusive, democratic and accountable.

Before serving the notice, the TMO must ensure that:

- a majority of members of the TMO voted in favour of serving the notice at a ballot of all members; or
- a majority of members of the TMO in attendance at a properly constituted general meeting voted in favour of a resolution to serve a notice;

At the time the notice is served, the TMO's membership includes:

- at least 20% of the tenants; and
- at least 20% of the secure tenants, of the houses identified in the proposal notice.

The development and training stage

Once the council accepts the Right to Manage Proposal Notice, The project enters the development stage. This consists of 15 months of intensive training and development in wide range of subject areas including

- effective business planning
- financial management and viability
- community support
- housing management
- staff management
- performance management and monitoring
- understanding the management agreement

The training gives the group the knowledge and experience needed to manage the housing services on behalf of the council.

When training is complete, an independent government approved assessor will test whether the group is ready to take over housing management from the council.

The project can only proceed if the assessor confirms that the group is competent to deliver the services on behalf of the council.

Appointment of the Approved Assessor

Because of the importance of delivering effective housing services and demonstrating effective use of public money, it is essential that the Tenant Management Organisation is competent and able to manage the housing services.

At the end of the development stage, a government Approved Assessor assess the competence of the TMO to exercise the management functions set out in the tenant management proposal. The proposal will be considered withdrawn if the assessor concludes that the Tenant Management Organisation is not competent to take over the proposed housing management functions.

Preparing an Offer Notice

On the other hand, if the assessor confirms at the end of the development stage that the Tenant Management Organisation is competent, the authority and Tenant Management Organisation must jointly prepare an offer notice. This will be the basis of the formal offer on which tenants will be invited to vote on whether they support the proposed delegation of functions to the Tenant Management Organisation.

Ballot

The formal offer notice agreed between the council and the TMO must be put to all tenants and leaseholders, through a secret ballot to determine whether the proposal is supported by a majority of residents living on the estate. The TMO development project will be terminated if the majority of all tenants and a majority of council tenants oppose the proposal to delegate the provision of housing services to the TMO.

Implementation phase

The implementation phase is the 9 months following a positive ballot outcome on the TMO proposal. During that period, the council and the TMO must put in place all the operational structures necessary for the TMO to take over the roles and responsibilities delegated in the management agreement. The council must enter into a management agreement with the Tenant Management Organisation at the end of this period provided that the Tenant Management Organisation has been incorporated

In this period, the TMO and the council engage in:

- setting up/ building a management office
- procuring IT equipment and management solutions, including data transfer from the council to the TMO if necessary. Developing human resources strategies/solutions and recruiting staff.
- finalising the management agreement
- completing the Incorporation process.
- finalising all the policies and procedures needed to run a successful housing management company

Step-by-step: the process of becoming a TMO

1. A tenant organisation meets the conditions in the regulations. The organisation can then serve Right to Management Proposal notice. This is sent to the local authority.

2. If the notice is accepted by local authority, the tenant organisation has 3 months to appoint an Approved Assessor after the Notice is accepted.

3. The Approved Assessor arrives. The assessor looks at the work programme and judges whether it will be able to deliver the proposed project.

4. The Feasibility study starts – council, tenant organisation and other relevant parties carry out the proposed work programme. This must be completed within 15 months.

5. Halfway through the 15 months, the Assessor carries out checks to measure progress and check the targets have been met.

6. At the end of the 15 months, the Assessor carries out competency assessment at the end of the Feasibility study: did the organisation deliver the programme?

7. There is a workshop at the end of the Feasibility study: after this, the assessor provides a report saying whether the tenant organisation can become a TMO

Step-by-step: what happens after the Approved Assessor's report?

The following shows what happens after the outcome of the Approved Assessors Report.

The Approved Assessors Report asks: Is the TMO competent?

- If no: the project stops if the Stage 3 report says the group is not competent
- If yes: the council arranges a ballot in 3 months. At the ballot residents are asked: would you support the council handing over the management of your homes to the TMO?
 - After the ballot: The project stops if the majority of all tenants or a majority of council tenants voted against the TMO proposal
 - Otherwise, the TMO sets up an office and negotiates a management agreement with the council to go live in 9 months

TMO Governance

TMOs are legal bodies and can register as Community Interest Companies or companies limited by guarantee. They may also be registered with the Financial Conducts Authority (FCA) as a Co-operative or a Community Benefit Society.

Community benefit societies and community interest companies normally have members who:

- hold shares
- have democratic rights on the basis on one-member-one-vote.

TMOs are limited liability companies. This means members are protected from individual liabilities in the course of running the company.

A Management Committee runs the company. The Committee:

- is made up of tenants and leaseholders
- is run by volunteers
- represents residents
- sets the objectives and priorities for the estate it manages

TMOs may:

- have their own local office
- employ their own staff

TMOs are usually able to carry out repairs faster than the council. They're also able to make allowance savings by spending efficiently and making the best use of available local resources. Any savings a TMO makes can be spent on the estate in line with the wishes of the local community and their constitution.