



Audit and Standards Advisory Committee

26th September 2019

Report from the Chair of First Wave Housing Limited

Report on First Wave Housing Limited

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	1. Risk Register 2. Risk Management Framework
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Peter Gadsdon FWH Director Email: peter.gadsdon@brent.gov.uk Tel: 020 8937 6095

1.0 Purpose of the Report

- 1.1 This report provides the Audit and Standards Advisory Committee (the Committee, ASAC) with an update on First Wave Housing Limited's (FWH) business plan, recent performance, risk register, and audit arrangements.

2.0 Recommendation(s)

- 2.1 The ASAC is asked to note:
- 2.1.1 FWH performance.
 - 2.1.2 The update to the FWH risk register.
 - 2.1.3 The update on recent FWH audits, and progress towards implementing previous audit recommendations.

3.0 Update on Business Plan

- 3.1 The 2019/20 FWH Business Plan was approved by the Guarantor in February 2019. The business plan outlined FWH's strategic plans for 2019/20:

- Tenure and rent rationalisation within its portfolio
 - Capital investment
 - The sale of four properties via mutual agreement which are within areas undergoing regeneration
- 3.2 A stock condition survey (SCS) has been carried out on FWH stock, this provided an assessment of investment requirements over 30 years. The SCS and local knowledge have been used to create a 30-year investment plan. The investment plan is a key focus for the FWH board. The key areas of investment include resolving historic poor building and maintenance practices by BHP in South Kilburn, refurbishment of market rented properties, and a provision for the purchase of new build homes, as well as cyclical maintenance works.
- 3.3 Brent Finance are currently confirming the affordability of the programme of plan and any funding gaps. However, FWH's cashflow forecast over the next 5 years is relatively favourable. It is therefore less critical at this stage to seek alternative financing models to carry through with the investment plan but there is a likelihood that capital funding will need to be raised over the medium term. One option that is being considered is renegotiating the terms of the loan.
- 3.4 The 2019/20 Business Plan also highlighted that the Guarantor was exploring opportunities to align i4B Holdings Ltd and FWH. This included looking at the possibility of merging the two companies. The Guarantor has determined that merging the two companies is not viable. This is primarily because i4B is a company limited by shares and FWH is a company limited by guarantee

4.0 Performance

- 4.1 FWH has 329 tenanted properties. Of this 329, 89 are at social rent rate, 25 are at intermediate rent, and 45 are at PRS /market rent.
- 4.2 FWH also has 170 Settled Homes. Settled homes are a form of temporary accommodation. They are let on assured short hold tenancies, with rent levels slightly below LHA rates (the weekly rent for a two-bedroom property is £300). When business plan surpluses are sufficient, properties will be converted, on an incremental basis, to social rents, on assured tenancies.
- 4.3 The annual rent roll is £4.2million. There are also two commercial properties within the portfolio. FWH has not purchased any new properties, therefore, performance is only based on housing management.
- 4.4 Performance in June 2019 exceeded the monthly performance target for rental income collection of 98.5% and the year to date target of 99.5%. This is similar to February 2019, where the performance was 107% (due to arrears collection).
- 4.5 There were repair 20 jobs completed outside of the required service standards in February 2019. There was a combination of factors driving this result, including:
- Backlog of appointment responses, caused by insufficient resources across the plumbing trade.
 - Transitional issues relating to the introduction of a new contractor system.

- 4.6 Since February 2019, repairs performance has improved. In June 2019, 100% of emergency repairs were completed in less than 24 hours. Furthermore, in June 2019, 88% of qualifying repairs were completed within 14 days – this compares to a target of 85%. Year to date performance for qualifying repairs is 88%.
- 4.7 In February 2019, there were two void market rent voids. It took on average 162 days to let the two properties. Turnaround was worse than target of 21 days due to difficulties in competing with similar market rented products on the market. Performance has improved significantly. In June 2019, 4 properties were let; 3 Settled Homes and 1 PRS property (formerly Intermediate and Market Rent). The 1 PRS property let was a minor void and it took 16 days to let against a target of 21 days. The 3 Settled Homes properties were also minor voids and took an average of 37.3 days. This was due to delays in sourcing suitable applicants from the Private Rent Sector Team in Housing Needs. Officers are currently reviewing the settled homes allocation process to improve targeting of suitable applicants.

5.0 Risk Register and Risk Management Framework

- 5.1 The Company's Risk Register can be found in Appendix 1 and the Risk Management Framework in Appendix 2.
- 5.2 Since the last meeting with the Committee, no new risks have been added.
- 5.3 The following risks remain as live issues and are being monitored as such:
- There is a risk of unforeseen costs and loss of income as a result of poor quality housing stock.
- 5.4 The following risks have been closed:
- There is a risk of fraud to the Company - First Wave may not have a holistic overview of the key fraud risks that they are facing or are likely to face in the future, resulting in losses to the Company as a result of risks not being appropriately treated. A Fraud risk audit was carried out. As a result, FWH has a good understanding of the fraud risks it faces. Separate fraud risks were added last year.
- 5.5 The following risks have increased in likelihood:
- There is a risk that void periods will exceed the business plan.
- 5.6 The following risk mitigations have been updated:
- There is a risk of fraud to the Company through property disposals - FWH will mitigate this risk through the development of an Asset Disposal Policy. This will consider the Council's checks, and board and shareholder approval for the disposal of any company assets. The policy was submitted to and approved by the guarantor.

- 5.7 A Risk Management Framework (Appendix 2) was created to accompany the Company's Risk Register. The framework outlines the Company's process for identifying, measuring, managing, monitoring and reporting risks. It also discusses the Company's risk appetite and the Company's ambition to invest in the current stock.

6.0 Responsive Repairs Audit Update

- 6.1 The purpose of this audit was to review the design and operating effectiveness of controls in Brent's housing responsive repairs system, to ensure that work allocated to contractors is provided in line with expected standards, within budget, and payments for work are made appropriately. The audit placed particular emphasis on three key scope areas: Governance, Variations and Payments and Contract Management and Monitoring.
- 6.2 While this review was carried out at the request of First Wave Housing, the assurance statement, findings, risks and recommendations fall to the Council's Housing Management department to accept and implement as necessary. FWH's risk is contained within the annual fee per property that is paid for repairs. Although controls have been established to provide overall governance and oversight over the repairs process, the nature of findings raised under the Variations and Payments and Contract Performance and Monitoring areas represent instances where governance can be enhanced.
- 6.3 The Responsive Repairs Report has been distributed to Sean Gallagher (Head of Housing Management) and Hakeem Osinaike (Operational Director for Housing) for action.

7.0 Internal Audit Update

- 7.1 In April 2019, FWH Board agreed a programme of internal audits for 2019/20:

Table 1 – FWH internal audits

Audit	Scope	Status
Rent Collection	To include strategy, performance, debt management, management information and reporting.	Yet to commence

Report sign off:

MARTIN SMITH

Chair of First Wave Housing Limited