

	Audit and Standards Advisory Committee
	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: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Appendix 1: Company Risk Register
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Head of Transformation Sadie.East@brent.gov.uk Tel: 020 8937 1507

1.0. Purpose of the Report

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

2.0. Recommendation(s)

2.1. The ASAC is asked to note:

- FWH performance.
- The update to the FWH risk register.
- The update on recent FWH audits, and progress towards implementing previous audit recommendations.
- The impact of Covid-19 on FWH's operations and business objectives.

3.0. Performance Update

3.1. FWH has 329 tenanted properties: 89 at social rent, 25 at intermediate rent, and 45 at PRS/market rent. 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. When business plan

surpluses are sufficient, properties will be converted on an incremental basis to social rents, on assured tenancies.

- 3.2. FWH's primary purpose is to provide good quality, affordable, secure, and well managed homes to Brent residents and contribute to Brent's Housing Strategy. It does this by managing, maintaining and improving its stock of 329 properties.
- 3.3. The annual rent roll is £4.2 million. There are also two commercial properties within the portfolio. FWH has not purchased any new properties; therefore, performance is only based on housing management.

Table 1 – FWH Stock Breakdown

Product Type	No. properties	Average Weekly Rent	Sum of Weekly Rent
General Needs	89	£114.09	£10,154.35
1 bed	23	£101.62	£2,337.37
2 bed	33	£111.12	£3,666.94
3 bed	23	£124.52	£2,863.95
4 bed	10	£128.61	£1,286.09
Intermediate Rent	25	£300.48	£7,512.11
1 bed	11	£283.33	£3,116.58
2 bed	14	£313.97	£4,395.53
Market Rented	45	£285.42	£12,844.10
1 bed	45	£285.42	£12,844.10
Settled Housing	170	£298.99	£50,827.83
1 bed	7	£263.21	£1,842.44
2 bed	141	£300.32	£42,345.53
3 bed	22	£301.81	£6,639.85
Grand Total	329	£247.23	£81,338.39

- 3.4. Performance is reported to the FWH Board on a monthly basis, and is measured against the Company's Key Performance Indicators. The below summarises current year to date performance. It also provides a comparison to the YTD figure from April 2020, as this was the data used when FWH last reported to the Committee.

3.5. *Rent Collection*

- 3.5.1. As of October 2020, the year to date cumulative performance outturn for rent collection is 95.43% against an annual target of 98.5%. This drop in collection rates is primarily due to Covid-19.
- 3.5.2. The Head of Housing & Neighbourhoods has attended the FWH Board meeting to discuss rent collection, and a FWH rent collection audit was undertaken in 2019/20. As a result of this, a rent arrears solutions system was built and has recently gone live. The system provides the rent team with more tools to analyse collection rates and allows problem accounts to be identified

at an earlier stage. It is hoped that this will improve collection rates. Housing Management is also working with Brent Hubs to link tenants with financial inclusion advice to support them where needed.

3.6. *Tenancy Verification Visits*

3.6.1. No tenancy verification visits have taken place since April 2020 due to restrictions relating to Covid-19.

3.7. *Voids*

3.7.1. Underlying voids performance is below target and, in the current financial year, this has been exacerbated by the impact of Covid-19.

3.7.2. For minor voids, FWH's target is 35 days. For major voids, FWH's target is 72 days. The year to date performance as of September 2020 for voids is as follows:

- Settled Homes (Minor Void) – 54.9 days.
- Settled Homes (Major Void) – 107.8 days.

There have been no General Market Rent major or minor voids this year.

3.7.3. At the time of FWH's last report to the Committee, YTD void performance was as follows:

- General Market Rent (Minor Void) – 35.9 days.
- Settled Homes (Minor Void) – 33.65 days.
- Settled Homes (Major Void) – 94.2 days.

3.7.3. The Operational Director of Housing recently attended a Board meeting to discuss what actions were in place to address underperformance. BHM is currently reviewing options to increase the speed of the void process.

3.8. *Urgent and Routine Repairs*

3.8.1. The year to date performance as of September 2020 for urgent and routine repairs completed within 14 days is 85%, against a target of 85%. At FWH's last report to the Committee, the year to date repairs performance was 89%.

3.9. *Emergency Repairs*

3.9.1. As of October 2020, the year to date performance for emergency repairs completed within 24 hours is 98%, against a target of 100%. In March 2020, YTD performance for emergency repairs stood at 97%.

4.0. **Update on Financial Performance**

4.1. The Company is forecasting a loss of £0.109m against a budgeted loss of £0.018m. This will change to a surplus of £0.993m should the Council choose

to implement the loan refinancing proposal as considered by the shareholder. If agreed the refinancing of loans is intended to contribute to the capital investment programme in the FWH stock including remediation works to Granville and Princess Road blocks. Underspends on operational budgets of £170,000 require further scrutiny and challenge to verify they will materialise.

4.2. Offsetting these gains are a net rental loss of £61,000. This is due to originally underestimating void rent loss, which has been impacted by Covid-19.

4.3. Table 2 – Full Year Budget vs Forecast FY 2020/21

FWH - Projected Forecast	Budget	Forecast	Variance	
	20/21	20/21	£	%
Rents				
Gross Rental	4,270,000	4,343,788	73,788	2%
Void rent loss	(21,000)	(155,796)	134,796	-642%
Rent Turnover	4,249,000	4,187,991	(61,009)	-1%
Operating Costs				
Audit Fees and Consultants	34,000	34,000	0	0%
Provision for Doubtful Debts	127,000	127,000	0	0%
Leasehold Service Charges	309,000	261,799	(47,201)	-15%
Insurance	66,000	66,000	0	0%
Property Maintenance Costs	472,000	388,600	(83,400)	-18%
Subtotal	1,008,000	877,399	(130,601)	-13%
Management Fee				
SLA	456,000	414,369	(41,631)	-9%
Supplies and Services	243,000	244,712	1,712	1%
Subtotal	699,000	659,081	(39,919)	-6%
Total Costs Excluding Depreciation	1,707,000	1,536,480	(170,520)	-10%
Depreciation	571,000	571,000	0	0%
Total Expenses	2,278,000	2,107,480	(170,520)	-7%
Profit excluding interest and tax	1,971,000	2,080,511	109,511	6%
Interest Charge	1,989,000	1,105,465	883,535	80%
Profit after Interest	(18,000)	975,046	993,046	

5.0. Fire Safety and Stock Condition

- 5.1. The Council has undertaken a data collection exercise on the external wall systems installed on all high-rise residential buildings of 18m and above in the borough.
- 5.2. The review identified that external fabric combustibility issues may be a concern on eight of FWH's blocks at Granville, Canterbury and Princess Road.
- 5.3. FWH is currently carrying out the investigative works to understand what remediation works are needed.
- 5.4. Following an arranged visit with the London Fire Brigade (LFB), the common escape route ceiling panels were deemed to be not within acceptable limits. The LFB have issued enforcement notice on FWH to remediate the fireproofing in the means of escape areas. This is due to the importance of the common escape routes for fire brigade access and the evacuation of the blocks. The LFB have recommended that there can be no compromise and that the panels should be removed and replaced with a suitable A rated product.
- 5.5. Until the necessary remedial actions have been implemented, the ceiling panels are being removed and a waking-watch service has been put in place at the blocks. A communal fire alarm system will be installed in early 2021 which will mitigate the need for a waking-watch service.
- 5.6. In addition to this further testing is required to ascertain if the external wall systems meet the functional requirement of the building regulations.
- 5.7. London Fire Brigade enforcement notices give FWH 9 months to finalise remediation plans.
- 5.8. It is not possible to determine the required remediation to the blocks until further intrusive investigations have been undertaken. Work to develop remediation plans will continue into 2021/22.

6.0. 2021/22 Business Plan

- 6.1. FWH is currently preparing its annual business plan. The Company's Board and the Council as Guarantor will feed into the development of the plan, and a final version will go to Cabinet for Guarantor approval in February 2021.
- 6.2. The 2021/22 FWH Business Plan focuses on improving FWH's operations efficiency and on improving tenant satisfaction. The strategic objectives, and key priorities for each of these across 2021/22, in the Business Plan are as follows:
 - Deliver safe and sustainable homes.

- Carry out a programme of works to improve the condition and sustainability of blocks in South Kilburn.
- Establish a suite of compliance policies and standards to ensure legal compliance.
- Establish a suite of performance monitoring metrics to give the Board assurance on compliance levels.
- Carry out an audit of the new compliance suite.
- Increase the supply of affordable housing in the borough.
 - Remain available as an RP to support the Council's affordable housing aspirations.
- Run a viable business.
 - Carry out a benchmarking exercise.
 - Reduce void times.
 - Develop an Asset Management Strategy for FWH.
 - Implement an Oracle Cloud finance system for FWH
 - Review utilities charging processes to ensure timeliness and accuracy.
 - Review void and repair costs.
- Provide a consistently good housing service.
 - Review our approach to assessing customer satisfaction.
 - Review the sustainability and affordability of rent levels.

7.0. Risk Update

7.1. The full company risk register is included in Appendix 1. The main risks FWH currently faces are:

- Capital Programme costs undermine the viability of the business plan.
- There is no affordable or technical solution for FWH properties to meet enhanced legal standards.
- Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored resulting in FWH being non-compliant with its statutory obligations.

7.2. The Company's risk register is reviewed quarterly. Throughout the risk register business plans assumptions and mitigations are updated.

8.0. Audit Update: Rent Collection Audit

8.1. The aim of this audit was to review FWH's rental charges to ensure that rental charges and rates are reviewed on a regular basis, tenants are charged the correct rates and that the rent collection service that FWH receives from Brent Housing Management (BHM) is robust.

8.2. Good practice was identified in a number of areas. This includes the following:

- A clear and well-defined Rent Strategy in the form of the FWH Business Plan 2019/20. The Business Plan outlines key risks and new opportunities relating

to rent collection, which is monitored and analysed on a regular basis through management meetings.

- Clearly articulated roles, responsibilities and accountabilities between FWH and BHM.

8.3. The audit identified one high-risk and three medium-risk issues. These were:

- The Rent Collection KPI (high-risk);
- Lack of guidance around arrears rental agreements (medium-risk);
- Formal evidence of monitoring rental agreements (medium-risk); and
- Non-compliance with the arrears recovery process (medium-risk).

8.4. The recommendations of the audit were presented to the FWH Board in January 2020 and agreed. An update for each recommendation has been provided below:

Risk	Recommendation	Progress update
Rent Collection KPIs	Develop a reporting method that segregates actual rent collections and the collection of historic arrears.	<p>The FWH Board agreed for the rent arrears solutions system (RAMS) to be built for the FWH portfolio. This has now been developed and is live.</p> <p>The developers will be working towards segregating actual rent collection from historic arrears.</p>
Guidance around arrears rental agreements	<p>1. The FWH Board should develop and issue formalised guidance to BHM around maximum and minimum rental agreement thresholds.</p> <p>2. FWH should request management information on the number, value and adherence to tenant rental agreements on a regular basis to assess the effectiveness of rent recovery procedures.</p>	<p>1. This action is ongoing. Officers will meet to align the development of guidance with the rent setting process. This will then be taken to the FWH Board to be formalised. The deadline for this action is January 2021.</p> <p>2. RAMS gives the FWH Board a better insight of arrears and staff performance on a daily, weekly and monthly basis.</p>
Formal evidence of monitoring rental agreements	FWH should request management information based on the number, value and adherence of tenant rental agreements on a regular basis to assess the effectiveness of rent recovery procedures.	A breakdown of rental agreements has been integrated as an item in the FWH monthly reports.

<p>Arrears recovery process</p>	<p>FWH should work with BHM to understand the effectiveness of the arrears recovery process and consider whether process timeframes should be revised. FWH should also discuss and consider the manual nature of controls currently implemented by BHM to assess whether risks are being mitigated.</p> <p>FWH should develop and enforce KPIs covering each stage of the arrears recovery process.</p>	<p>RAMS gives the FWH Board a better insight of arrears recovery performance.</p>
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8.5. An audit has also taken place into the Management of the i4B/FWH Service Level Agreement. FWH is awaiting the final report on this audit.