



Audit and Standards Advisory Committee

26 September 2023

Report from the Chief Executive and Corporate Director of Finance and Resources

Lead Cabinet Member - Deputy Leader and Cabinet Member for Finance, Resources & Reform

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
List of Appendices:	Appendix 1 – FWH August 2023 Report to the Guarantor
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Director 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 (The Committee, ASAC) with an update on the work of First Wave Housing Ltd (FWH; the company) to deliver against its business plan for 2023-24 which was agreed with the Council as Guarantor.

2.0. Recommendation(s)

2.1. The ASAC is asked to note the content of the report.

2.2. The ASAC is asked to note the update on company's financial outturn for 2022-23.

3.0. Detail

3.1. Introduction

3.1.1. FWH is a Registered Provider of Social Housing wholly owned by Brent Council. FWH is limited by guarantee and owns a stock of 216 units.

3.2. Contribution to Borough Plan Priorities & Strategic Context

3.2.1. The work of FWH contributes to the Borough Plan strategic priority of 'Prosperity and Stability in Brent: Safe, Secure and Decent Housing' as its core business activity involves providing good quality affordable housing in the borough to reduce homelessness and alleviate the use of Temporary Accommodation.

3.3. Changes to Reporting Arrangements

3.3.1. Historically, the Committee has received a report from the Chair of the FWH Board twice each year on the company's financial & operational performance, risks, business plan and governance.

3.3.2. Following a review of the Committee's arrangements, and in consultation with the Chair and Vice-Chair, it has been agreed that moving forward the Committee will receive bi-annual reports from the Council's Chief Executive and Corporate Director of Finance and Resources, providing assurance on the arrangements the Council, as Guarantor of FWH, has in place to oversee the good performance and governance of the company. This approach is in-line with best practice as set out in CIPFA's Audit Committees guidance.

3.3.3. Reports will outline the governance arrangements in place between the Council and company, provide a report on the most recent FWH-Guarantor meeting, & present the company's annual business plan and annual accounts.

3.3.4. Moving forward, operational performance for the company will be scrutinised by the Community & Wellbeing Scrutiny Committee. In early 2024, a joint meeting of the Community & Wellbeing and Resources & Public Realm Scrutiny Committees will be convened to review the housing companies.

3.4. Governance Arrangements

3.4.1. FWH is governed by a Guarantor's Agreement with Brent Council, which outlines the matters and decision-making powers which are reserved to the Council as sole Guarantor. This includes approval of the annual business plan, which is agreed by Cabinet each year; the Board is unable to deviate from this plan without Guarantor agreement.

3.4.2. The FWH Board meets on a monthly basis and is made up of an independent Chair, two Council directors, one councillor and one independent non-executive director. In the past year, the Board has met 13 times; this includes 11 scheduled meetings – the Board does not meet in August – as well as two extraordinary strategy sessions, one to discuss 2023-24 business plan strategy

and one to review the results of consultancy work which the company had commissioned in relation to development opportunities.

- 3.4.3. In addition, FWH has six-monthly meetings with the Chief Executive, Corporate Director of Finance & Resources and Deputy Leader who represent the Council as Guarantor. The Council and company are continuing to review governance arrangements and are considering scheduling additional touch-point meetings between these six-monthly meetings. Latest Guarantor meetings took place in January and August 2023.
- 3.4.4. A 30-year business plan is in place for FWH to ensure long-term financial standing. This is reviewed annually and is supported by monthly monitoring reports. The company produces and files annual statutory accounts.
- 3.4.5. FWH maintains a risk register covering both strategic and operational matters. Risks are aligned to the company's long-term strategic objectives and are reviewed and reported to the Board on a quarterly basis as well as to the Guarantor on a biannual basis. The viability of the company is considered during the risk review, as well as during the annual review of the business plan and when producing the annual statement of accounts. The current highest scoring risks for FWH are:
- FWH lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
 - High void rent loss due to long void turnaround times.
 - High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- 3.4.6. In addition, a risk in relation to the operations and governance of the housing companies is recorded on the Council's Resident Services departmental risk register. Mitigating factors include the governance arrangements detailed in this section.
- 3.4.7. Furthermore, FWH has a robust internal audit programme with the current audit plan having been assurance mapped against the company's risk register and agreed by the Board, and the results of audit findings being reported back to the Board. Focuses of recent audits include health & safety compliance, as well as the Council's governance arrangements in relation to the company. Upcoming plans include an audit of the company's financial controls with a focus on the monitoring and charging of repairs costs.
- 3.4.8. As a Registered Provider, FWH reviews its compliance with the Regulator of Social Housing's regulatory standards on an annual basis. This includes ensuring compliance with the Rent, Governance & Financial Viability and Value for Money standards.

- 3.4.9. The annual external audit is another means to demonstrate financial resilience and sustainability. This audit not only provides assurance on all financial matters that occurred during the year, it also provides assurance on the company's overall financial position and going concern status. A letter of representation is sent to the external auditor from the Director of Finance & Resources confirming Brent undertakes to provide continuing financial support to enable FWH to fund its liabilities as they fall due and to allow the financial statements of FWH to be prepared on a going concern basis.
- 3.4.10. The Chair of the FWH Board, Martin Smith, is due to step down at the end of 2023. The recruitment process to appoint a new Chair will commence in late September and Cabinet will be asked to endorse the appointment of a new Board Chair in December.

3.5. Update from Guarantor Meeting

- 3.5.1. The latest Guarantor meeting between the Council and FWH took place on 8th August 2023.
- 3.5.2. The Chair of the FWH Board presented a report on the company's operational performance, financial performance, business plan progress, risks and governance to the Council's Chief Executive, Corporate Director of Finance & Resources and Deputy Leader.
- 3.5.3. The full report can be found in Appendix 1. This section provides a summary of key discussions at the meeting.
- 3.5.4. *Operational Performance*
- 3.5.5. The Council noted the good health & safety compliance performance of the company.
- 3.5.6. The Chair highlighted ongoing issues with void times. The Council asked whether the Board had considered moving away from Brent Housing Management (BHM) for its housing management services. The Chair responded that the Board did discuss this every 12-18 months and felt that performance, while below target, was in line with other providers such as Mears, who provide services for the Council's other housing company i4B Holdings Ltd. The Board also had a desire to support BHM in addressing issues and improving its performance.
- 3.5.7. *Financial Performance*
- 3.5.8. The Chair highlighted that issues with late charges for void works & repairs from BHM were affecting the company's ability to forecast effectively.

3.5.9. The Council asked how the company was holding it and BHM to account for this; the Chair responded that FWH was considering introducing a deadline for charges – for example three months – after which invoices would not be paid. In addition, an audit on financial controls is due to begin in the autumn, which will suggest further improvements to monitoring and charging processes.

3.5.10. *Business Plan*

3.5.11. The Council asked the Company how FWH was performing against its Business Plan priorities. The Chair responded that, while progress varied between priorities, performance was generally good.

3.5.12. The first results of new tenant satisfaction measures had recently been received and showed that FWH’s satisfaction was in line with that of Council tenants. The Board will receive tenant satisfaction reports every six months in order to monitor direction of travel.

3.6. **2022-23 Financial Outturn**

3.6.1. In the 2022/23 financial year, the company made a profit (excluding depreciation, revaluations and tax) of £0.543m compared to £0.734m in 2021/22.

3.6.2. *Summary Financial Outturn*

3.6.3. The financial outturn for the year is below. Rent turnover for the year is largely in line with budget at £3.29m (this is an adverse variance of £13k against budget).

Table 1 – Financial Outturn 2022/23

FWH 22/23 Outturn	Budget 22/23	March 23 Outturn	Variance to Budget
Income	3,305	3,292	(13)
Expenditure	(1,440)	(2,047)	(607)
Financing	(702)	(702)	0
Profit (Loss) before tax revaluations and depreciation	1,163	543	(620)

3.6.4. *Income and Expenditure Statement*

3.6.5. Profit excluding depreciation, revaluations and tax is £0.543m compared to £0.734 in 2021/22.

3.6.6. Turnover for 2022/23 is £3.292m; this is lower than 2021/22 by £851k, which is mainly due to the transfer of 110 properties at Granville New Homes to i4B and the Council in April 2022.

3.6.7. The principal variations in outturn to the budget are:

- Favourable variance in Provision for doubtful debts of £101k. This is because of a better performance in collection in the year.
- Property maintenance cost for the year is £318k higher than original budget and £271k higher than the March 2023 forecast. This is mainly made up of £178k refurbishment costs and an increase in Q4 property charges.
- Supplies and services is also £341k higher than the budget.

Statement of comprehensive income for the year ended 31 March 2023

	<i>Note</i>	2022/23	2021/22
		£'000	£'000
Turnover	5	3,292	4,143
Operating costs	6,7,8	(2,541)	(2,762)
Reversal of Revaluation loss on housing assets		0	3,530
Surplus on asset disposal	7	130	0
Surplus on revaluation of investment properties	11	1,260	230
Surplus on revaluation of commercial properties	11	0	12
Operating Surplus (Loss)	7	2,141	5,153
Interest payable and similar charges	15	(702)	(1,080)
Profit (Loss) on ordinary activities before taxation		1,439	4,073
Tax on surplus/(Loss) on ordinary activities	9	(494)	(453)
Profit (Loss) on ordinary activities after taxation		945	3,620
Profit (Loss) Loss for the financial year	<i>SOCIE</i>	945	3,620
Unrealised gains on revaluation of social housing properties	<i>SOCIE</i>	1,628	2,322
Total comprehensive income for the year		2,573	5,942

3.6.8. Concerns have been raised about repeated late charges being received from the Council that should have been recharged earlier in the year. This is primarily on refurbishments, which is a high area of expenditure and therefore important to monitor. This has an impact on providing accurate forecasts to the board during the year. In addition, clarity on the cost and standard of refurbishments, as well as the approval process, requires further attention. To this end, the

Council's internal audit team will be asked to carry out a review of company financial controls.

4.0. Stakeholder and ward member consultation and engagement

4.1. N/A

5.0. Financial Considerations

5.1. Outlined in the report.

6.0. Legal Considerations

6.1. N/A

7.0. Equality, Diversity & Inclusion (EDI) Considerations

7.1. N/A

8.0. Climate Change and Environmental Considerations

8.1. N/A

9.0. Human Resources/Property Considerations

9.1. N/A

10.0. Communication Considerations

10.1. N/A

Report sign off:

Kim Wright
Chief Executive

Minesh Patel
Corporate Director of Finance and Resources