

	<p align="center">Audit and Standards Advisory Committee</p> <p align="center">28 March 2024</p>
	<p align="center">Report from the Chief Executive and Corporate Director of Finance and Resources</p>
	<p align="center">Lead Member – Deputy Leader & Cabinet Member for Finance, Resources & Reform (Councillor Mili Patel)</p>
<p align="center">Report on First Wave Housing Limited</p>	

Wards Affected:	All
Key or Non-Key Decision:	Not Applicable
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:	One Appendix 1: FWH February 2024 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, and an update on the company's upcoming 2024-25 business plan.

2.0. Recommendation(s)

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

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. Reporting Arrangements

3.3.1. As agreed at the ASAC meeting in September 2023, the report provides information and 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.

3.3.2. Biannual reports to the Committee will outline the governance arrangements in place between the Council and company, provide a report on the most recent FWH-Guarantor meeting, and present the company's annual business plan and annual accounts.

3.3.3. Moving forward, operational performance for the company will be scrutinised by the Community & Wellbeing Scrutiny Committee. In 2024, a joint meeting of the Community & Wellbeing and Resources & Public Realm Scrutiny Committees will be convened to review the housing companies. A final date for this has not been confirmed, but is expected to be either in April or June 2024.

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 review the results of consultancy work which the company had commissioned in relation to development opportunities and a business planning strategy session for 2024-25.

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. The most recent Guarantor meetings took place in August 2023 and February 2024.

- 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.
- 3.4.6. FWH scores each of its risks based on likelihood and impact, and for each risk mitigating actions with owners and deadlines are in place. These mitigating measures are having a positive impact on the Company's risk profile; at the last review in January 2024 likelihood scores for three risks were reduced. By closely monitoring and responding to risks FWH is able to effectively maintain a grip on ensuring that potential issues affecting the Company do not materialise.
- 3.4.7. The current key risks for FWH relate to monitoring health and safety compliance, rental affordability for tenants, and high capital programme and decarbonisation costs.
- 3.4.8. The Company has been working to mitigate and reduce these risks. Recently completed and ongoing actions to do so include:
 - A full review of health and safety compliance at all FWH properties and blocks, and the creation of a comprehensive tracker which is reported each month to the Board.
 - The Council-wide procurement of the True Compliance system to track all compliance elements, which is due to be fully implemented in the coming months.
 - The introduction of a Nominations Panel to carry out additional affordability and suitability assessments on all applicants put forward to FWH from Housing Needs, to improve oversight of the allocations process and enhance rental affordability and tenancy sustainment.
 - Delivering greater cost certainty by factoring the results of stock condition and energy surveys and associated costs into the financial business plan, which has demonstrated that the financial impact of future capital obligations on the Company is lower than previously forecast.
- 3.4.9. As noted, these measures have been successful in reducing a number of scores at the latest review of the risk register, including the majority of highest-scoring risks, demonstrating that FWH is effectively managing overall risk and showing a positive direction of travel.

- 3.4.10. In response to an external audit recommendation, a risk in relation to the housing companies has been recorded on the Council's Resident Services departmental risk register. This is to ensure that the Council as Guarantor of FWH is maintaining appropriate grip on the operations, governance and viability of the Company. It does this through a range of measures discussed in this report including regular FWH-Guarantor meetings, reports to the Audit & Standards Advisory and Scrutiny committees, and annual Guarantor appraisals of the Chair of the FWH Board. As with the Company's internal risk monitoring processes, the arrangements in place between the Company and Council ensure that risk is effectively monitored and managed.
- 3.4.11. 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 and safety compliance, as well as the Council's governance arrangements in relation to the company. An audit into the company's financial controls, with a focus on the monitoring and charging of repairs costs, is currently underway and is due to be completed in early Q1 of 2024-25.
- 3.4.12. 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.
- 3.4.13. 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.
- 3.4.14. Since the last report to ASAC in September 2023, Martin Smith has stepped down as Chair of FWH. Following a selection process, Cabinet confirmed the appointment of Andrew Hudson as Chair and he took up post in January 2024.

3.5. Update from Guarantor Meeting

- 3.5.1. The latest Guarantor meeting between the Council and FWH took place on 8th February 2024.
- 3.5.2. The Chair of the FWH Board presented a report on the company's operational performance, financial performance, 2024-25 business plan proposals, risks and governance to the Council's Chief Executive and Corporate Director of Finance & Resources.
- 3.5.3. The full report can be found in Appendix 1. This section provides a summary of key discussions at the meeting.

Fulton Road

- 3.5.4. The Guarantor asked for an update on progress with work to agree a leasing mechanism between the Company and Council at Fulton Road, a site under construction that the Council has acquired. Officers confirmed that a deadline of April 2024 had been set to work up the model, with onsite completion planned for 2025.

Operational Performance

- 3.5.5. Regarding health and safety compliance, the Guarantor noted that it would be more beneficial to receive a full compliance scorecard showing property numbers rather than percentages. The report in Appendix 1 has been amended to reflect this.
- 3.5.6. It was noted that some progress had been seen on voids; however, some outstanding long-term legacy voids were keeping turnaround figures high. It was therefore requested that these legacy voids be reported on separately until the small number of legacy voids were cleared.
- 3.5.7. FWH directors noted that void rent loss had reduced, which showed that progress was being made, and expressed a desire to understand best practice in London. The Company wanted to create a culture of being very good at turning around more simple voids, while acknowledging the challenges brought by more complex cases.
- 3.5.8. On disrepair, the Guarantor asked whether it would be more cost effective for the Company to pay to settle claims more quickly, while ensuring that all necessary works were carried out, rather than entering lengthy legal proceedings. On this, officers were planning for future reporting to provide a breakdown of compensation costs, works costs and legal costs to inform a future approach, and were continuing to look at overall stock condition in order to pre-empt issues at specific properties. Regarding earlier payments, FWH would consider this approach but it was noted that this could bring the risk of prompting a greater number of claims from tenants as well as associated potential reputational damage to the Company.

Business Plan

- 3.5.9. The Guarantor was presented with a draft of FWH's business plan priorities for 2024-25, and asked for feedback on these as well as overall Company strategy.
- 3.5.10. The Guarantor noted that First Wave Housing, alongside i4B, have authority from the Council to consider and pursue all appropriate opportunities to acquire more properties.

3.5.11. The Guarantor would consider this further before the next meeting in July-August 2024, and provide any further input in line with the Council's overall change priorities.

4.0. Stakeholder and ward member consultation and engagement

4.1. N/A

5.0. Financial Considerations

5.1. Financial considerations are outlined in the appendix.

6.0. Legal Considerations

6.1. N/A

7.0. Equity, 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