

First Wave Housing

Risk Management Framework

April 2019



Document Master Sheet

Amendments to this document detailed below:

Version	Author	Date	Review Date	Comment	Approved by
1	Khadija Koroma	April 2019		Framework created	Draft

1.0 Introduction

1.1 The risk framework was created to accompany the risk register, which is a standalone live document.

1.2 The risk framework outlines FWH's process of:

- Identifying
- Measuring
- Managing
- Monitoring and Reporting

The framework also discusses the risk appetite of the FWH Board.



1.3 The risk register identifies different types of risks, and the assumptions made in the business plan in relation to that risk. It then highlights the type of risk it is, e.g. financial, reputational etc.

2.0 Identifying

2.1 The risk register already identifies a number of risks.

2.2 Officers meet on a quarterly basis to consider the risks, and to add new risks that may arise as the business move forward. The new risks come as a result of new initiatives of the company, e.g. revisions of business plan or revisions of investment plan.

2.3 Risks relating to revisions of business plan are identified through the business planning process. Anticipated changes to the Company's risks as a result of the new business plan are discussed by the Board as part of the process.

2.4 Council representatives, who are specialists and experts in various aspects of the Company's work will identify external forces and bring it forward to be added to the risk register. This includes changes in the external environment, changes to law and

government policy etc. This is fed into the risk assessment each quarter or brought to the attention of officers and the Board through timely communications.

3.0 Measuring

- 3.1 The risk register scores the risks in 2 pre-mitigating categories; 'Likelihood' and 'Impact' which then multiplies to generate a risk score. It then outlines the ways in which the risk can be mitigated. After this, there is another set of scores for the 2 post-mitigating categories ('Likelihood' and 'Impact'), and a new risk score is calculated. The risk status is then shown and comments are made regarding the risk. The pre-mitigating and post-mitigating scores are both calculated in the same way.
- 3.2 The likelihood is scored out of 5:
- 1 – Highly unlikely/improbable
 - 2 – Not very likely
 - 3 – Likely/Possible
 - 4 – Very likely
 - 5 – Almost Certain
- 3.3 The impact is scored out of 5:
- 1 – Insignificant
 - 2 – Minor
 - 3 – Moderate
 - 4 – Major
 - 5 – Catastrophic
- 3.4 The risk score is then scored out of 25. This is done by multiplying the likelihood and the impact. If the likelihood of a risk is 2, and the impact is 4, then the overall risk score will be 8.
- 3.5 Each score is decided through discussions between experts working for and with FWH. The experts are able to give the likelihood of a risk, and the impact said risk could have on the business. The risk score is then calculated and the expert gives advice on how the risk can be mitigated and how the mitigations will affect the post-mitigating risk scores.

4.0 Managing

- 4.1 It is important that FWH effectively manages the risk register to insure that officers are always kept up to date with the risks.
- 4.2 Changes to risks can be identified through the Key Performance Indicator (KPI) reports. The live Dynamics report produces an up to the minute data. This highlights

any areas where the performance is not meeting its target, and actions can then be taken to ensure that the risk shown on Dynamics does not become an issue.

- 4.3 Risks are managed at both officer level and at Board level. The officers manage their individual tasks, and the Board manages the overall risk register as the register is on the agenda on a quarterly basis. The Board ensures that actions are taken by officers and these actions are logged and tracked through the Forward Plan and the Action Log.
- 4.4 Through the SLA officer meetings, risks from service providers are discussed. This means that FWH can assess if risks are being effectively managed by service providers and whether the risks are likely to increase or decrease.

5.0 Monitoring and Reporting

- 5.1 Risk are monitored through the KPIs, which have 34 different well-defined indicators that are monitored on a monthly, quarterly, or annual basis, depending on the individual KPI.

Officers responsible for the individual indicators monitor it and contribute to that KPI report that is provided to the Board each month. These reports highlight the performance of key areas, and supplementary reports are also provided for issues that need more consideration.

- 5.2 Audit govern the Board's approach to identifying, monitoring and maintain risks.

6.0 Risk Appetite

- 6.1 FWH is a registered provider and a wholly owned council company and therefore has to manage risk in line with the expectations of Homes England and its Guarantor, the London Borough of Brent.
- 6.2 FWH housing portfolio of 329 residential properties and 2 commercial properties is around twelve years although until October 2017 the portfolio was managed as part of a much larger portfolio of FWHs predecessor Brent Housing Partnership.
- 6.3 The investment strategy over the previous years and the age of the FWH portfolio means that the properties are requiring investment to maintain the asset. The Board is therefore focused more on identifying the funds from within its business plan to invest in its homes rather than an ambitious plan of growth.
- 6.4 The company is scrutinised for its contribution to providing good quality, affordable accommodation by the guarantor and much of the stock is subject to affordable rent guidelines and Homes England grant conditions.
- 6.5 The Company's loan arrangements are at market rates meaning the current business model is one based on an outlook of small financial margins considering the required level of stock investment.
- 6.6 The company is focused on delivering outputs and quality services to its customers. A low risk strategy has been adopted which provides the company, lender and

shareholder greater reassurance in the company's ability to deliver sustainable outcomes.

- 6.7 The business does not have a growth strategy and any future growth would be on project by project appraisals and each growth project would need to support the core business.
- 6.8 The Board is placing significant emphasis on establishing a rigorous monitoring regime and is seeking swift and continuous improvements to establish the controls the smaller portfolio requires. This will inevitably be seen as cautious approach towards risk.
- 6.9 The board has taken comfort from the success of the management agents in key areas such as rent collection and responsive repairs. Some of the key risks in the business have been mitigated through fixed fees for services. The Board is currently revisiting its financial model, ensuring rents and service charge income are appropriate to manage the interest repayments, the costs of service delivery and a significant property investment programme.
- 6.10 The Board has established SLAs with LB Brent, limiting the company's exposure to risk and protecting some of the Company's financial assumptions.
- 6.11 The Board recognises that its core affordable housing product offers only a marginal opportunity to support capital investment and maintenance. For this reason, it is likely the board will be very cautious and risk adverse in reducing rents any further. It is possible the Board will seek to manage some of its risks and need for stock investment by maximising rents where it is able.
- 6.12 The Board's business model is currently being considered by the Board and the setting of assumptions on rent collection, bad debt and void rates will be indicators of the company's risk appetite.