	<b>Cabinet</b> 8 February 2021
	<b>Report from the Chair of First Wave Housing Ltd</b>
<b>FWH Business Plan 2021/22</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key Decision
<b>Open or Part/Fully Exempt:</b> (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt – Appendix 1 of the Business Plan is exempt as it contains the following category of exempt information as specified in Paragraph 3 of Schedule 12 A of the Local Government Act 1972, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)”.
<b>No. of Appendices:</b>	Three Appendix 1: FWH 2021/22 Company Business Plan Appendix 1(a): Appendix 1 of Company Business Plan – exempt financial information Appendix 1(b): Appendix 2 of Company Business Plan- Company Risk Register Appendix 1(c): Appendix 4 of Company Business Plan - 2021/22 Key Tasks
<b>Background Papers:</b>	None.
<b>Contact Officer(s):</b> (Name, Title, Contact Details)	Sadie East Head of Transformation Tel: 020 8937 1507 <a href="mailto:Sadie.East@brent.gov.uk">Sadie.East@brent.gov.uk</a>

## 1.0 Purpose of the Report

1.1 This report provides Cabinet with a final draft of the First Wave Housing Ltd (FWH) 2021/22 Business Plan. Cabinet is asked to approve the Business Plan on behalf of the Guarantor.

## 2.0 Recommendations

2.1 Cabinet approves the proposals within the 2021/22 Business Plan.

2.2 Cabinet approves the content and proposed strategic priorities of FWH's 2021/22 Business Plan.

2.3 Cabinet approves the updated financial model contained within the 2021/22 Business Plan.

### 3.0 Background

3.1 FWH is a housing company wholly owned by the London Borough of Brent. FWH is limited by guarantee.

3.2 As a registered provider of social housing, FWH is required to produce an annual business plan. The company is currently drafting its 2021/22 Business Plan.

3.3 This report provides a final draft version of FWH's Business Plan for 2021/22. This version incorporates feedback from CMT at its 7 January 2021 meeting as well as feedback from the FWH Board at its 17 December meeting.

### 4.0 Update on Operational Performance

4.1 Table One below gives a summary of operational performance at December 2020. FWH has not purchased any new properties, therefore performance is based on housing management. FWH's overall performance is reasonable, although there are some areas requiring improvement. The Company continues to provide a good housing service to residents.

Table One – Key Performance Indicators

Indicator	Target	Performance YTD
Void rent loss	1.50%	4%
Minor void re-let times	35 days	62 days
Major void re-let times	72 days	122 days
Rent collection	98.50%	97.25%
Emergency repairs completed within 24 hours	100%	98%
Urgent and routine repairs completed within 14 days	85%	83%
% of portfolio with valid CP12 gas certificate	100%	100%
Customer satisfaction with housing management	80%	40%

#### 4.2 Voids

4.2.1 Void performance is currently not in line with business plan targets. Targets are 35 days for minor voids and 72 days for major voids. Generally, time to re-let properties has remained above the desired target. 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.

#### 4.3 Rent Collection

4.3.1 Rent collection remains an area of focus for First Wave Housing moving into 2021/22. Rent collection for the year to date is 95.41%, which is below the target of 98.5%. Rent collection has been negatively impacted by Covid-19.

4.3.2 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 Community Hubs to link tenants with financial inclusion advice to support them where needed.

#### 4.4 Repairs

4.4.1 The number of Urgent and Routine repairs completed within 14 days for the year to date is 83%. The business plan target is 85%.

4.4.2 The percentage of Emergency repairs completed within 24 hours for the year to date is 98%. The target is 100%.

#### 4.5 Customer Satisfaction

4.5.1 In December 2020, The Head of Housing & Neighbourhoods presented the results STAR for FWH and i4B tenants. Customer dissatisfaction with Brent Housing Management (BHM) has reduced from 38% in 2018 to 32% in 2020. However, satisfaction has also reduced from 52% in 2018 to 40% in 2020. The reason for this is more residents are neither dissatisfied nor satisfied, this increased from 11% in 2018 to 27% in 2020.

4.5.2 FWH residents were satisfied with BHM's response to Covid-19, and feel that their homes are safe and secure. However, satisfaction with various factors has decreased, for example the quality of homes and communication.

4.5.3 An action plan is being developed to address these areas. This will be presented to the FWH Board in early 2021.

### **5.0 Progress in Implementing 2020/21 Business Plan**

5.1 In February 2020, the 2020/21 FWH Business Plan was approved. In the plan, it was agreed that FWH's strategic priorities for 2020-21 would be:

- Increasing the affordability of the Capital Investment Programme;
- The disposal of four properties in regeneration zones; and
- The purchase of new build developments from the Council and market.

5.2 The following summarises each of the priorities and reports on progress against these.

### 5.3 Capital Investment Programme

5.3.1 The 2020-21 Business Plan outlined an initial Capital Investment Plan. In the last year, FWH has been working with the Guarantor to develop a financially viable approach for capital investment works as well as further remediation works required in relation to eight of the company's blocks in South Kilburn which were inherited from Brent Housing Partnership (BHP).

### 5.4 Property disposals

5.4.1 In 2018-19, FWH was approached to sell four properties in regeneration areas by the London Borough of Brent (three properties) and the London Borough of Ealing (one property). In FWH's 2019-20 Business Plan, the Company asked the Council to delegate authority to the Chief Finance Officer to dispose of the four properties following consideration of terms negotiated by FWH. In the 2020-21 Business Plan, this priority was restated, and it was noted that FWH had received valuations and agreed prices for the properties.

5.4.2 Throughout 2020-21, progress has been made on disposing of the properties such that it is anticipated that the properties will have been disposed of by January 2021. The properties were initially purchased over 10 years ago using Homes and Communities Agency grant. The Homes and Communities Agency no longer exists, so the Greater London Authority is now responsible for these historic grants. This has led to some delays in finalising the disposal of the properties. However, the GLA has agreed for the grant to be recycled via a Brent Council scheme.

### 5.5 New build purchases

5.5.1 In October 2019, Cabinet agreed loan facilities of up to £110.5m be made available to i4B Holdings Ltd (i4B) and FWH. A large proportion of this will be made available for the purchase of new build homes from the Council and the market. As a registered provider, there will be scope for FWH to use grant funding when purchasing properties from the Council and the market.

5.5.2 An objective of the 2020-21 Business Plan was for FWH to work with the Council and private sector partners to explore development opportunities to increase the supply of affordable housing in the borough.

5.5.3 Throughout 2020-21, FWH has been in contact with a number of registered providers and private developers to explore development opportunities. However, nothing has yet materialised into a viable opportunity.

## **6.0 2021/22 Business Plan**

6.1 Appendix 1 contains a final draft of the Company's 2021/22 Business Plan. The FWH Board met on 17 December 2020 to discuss the business plan. Cabinet is asked to approve the Business Plan.

6.2 The 2021/22 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2021/22 are set out within the framework of the medium to long-term objectives of Brent's Housing Companies. These objectives are:

- Delivering safe and sustainable homes;
- Increasing the supply of affordable housing in the borough;
- Running a viable business; and
- Providing a consistently good housing service.

### **6.3 Delivering safe and sustainable homes**

6.3.1 This objective involves ensuring that FWH's homes are of a good quality, safe, compliant, and environmentally sustainable. Strategic priorities for 2021/22 that relate to this objective are:

- Priority 1: Carry out a programme to improve the condition and sustainability of blocks in South Kilburn
- Priority 2: Establish a suite of compliance policies and standards to ensure legal compliance
- Priority 3: Establish a suite of performance monitoring metrics to give the Board assurance on compliance levels
- Priority 4: Carry out an audit of the new compliance suite

### **6.4 Increasing the supply of affordable housing in the borough**

6.4.1 This objective relates to increasing the supply of affordable housing in the borough. The Council aims to deliver 1,000 new units of affordable housing per year in Brent, through the various delivery routes. Alongside direct delivery by the Council, funded by the Housing Revenue Account, and the sale or granting of land for development to Registered Providers, FWH is one of several funding and delivery routes to achieve this target.

6.4.2 In October 2019, Cabinet agreed loan facilities of up to £110.5m be made available to i4B and FWH. A large proportion of this will be made available for the purchase of affordable new build homes. The strategic priority for this objective in 2021/22 is:

- Priority 1: Remain available as an RP to support the Council's affordable housing aspirations

### **6.5 Running a viable business**

6.5.1 This objective relates to improving the operational and financial performance of FWH. In order to continue to provide affordable housing and bring benefits to the Council, FWH must remain financially viable. It is thus imperative that operational services run smoothly and planning, monitoring and reporting are as accurate and effective as possible. FWH will maintain an effective system of financial control, as well as benchmark and understand costs to ensure that the Company delivers value for money. Strategic priorities for 2021/22 that relate to this objective are:

- Priority 1: Carry out a benchmarking exercise
- Priority 2: Reduce void times
- Priority 3: Develop an Asset Management Strategy for FWH
- Priority 4: Implement Oracle Cloud finance systems for FWH
- Priority 5: Review utilities charging processes to ensure timeliness and accuracy
- Priority 6: Review void and repair costs

## 6.6 Providing a consistently good housing service

6.6.1 This objective relates to improving tenant satisfaction. FWH will do this by ensuring it has clear service standards and procedures that enable complaints and anti-social behaviour issues to be resolved quickly and effectively. FWH will also effectively monitor and manage the performance of our contractors, provide a responsive repairs service, and provide effective cleaning, caretaking and grounds maintenance. Strategic priorities for 2021/22 that relate to this objective are:

- Priority 1: Review our approach to assessing customer satisfaction
- Priority 2: Review the sustainability and affordability of rent levels

## **7.0 Financial Implications**

7.1 The financial assumptions underpinning the business plan have been reviewed and the financial forecasts for the 30 year plan updated accordingly.

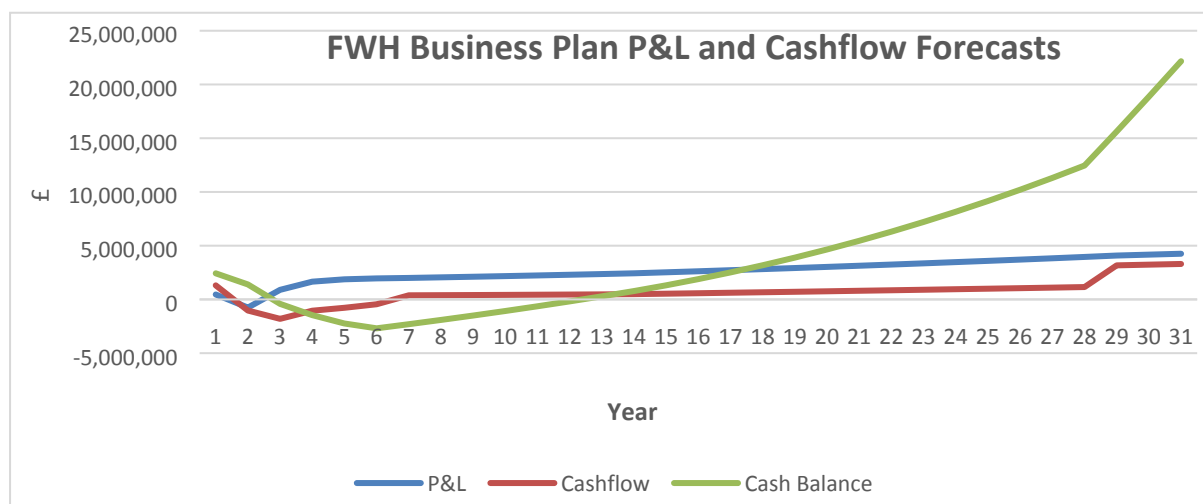
7.2 Whilst there have been a number of areas where the impact of COVID has worsened financial performance, such as in void turnaround times and in income collection performance, the day to day operations of FWH are generating surpluses.

7.3 The financial model has assumed that the financing rate for the FWH 30 year loan is reduced in accordance with discussions held with Council officers. This is still subject to a formal decision by the Council.

7.4 The issue for the viability of FWH going forwards is the level of capital expenditure required to address the remediation issues in the South Kilburn blocks. In addition no allowances are currently made for future capital expenditure beyond the first £6m allowed in the first 5 years of the plan. Quantifying these investment requirements is required in order to assess the longer term viability of FWH. Work is being carried out with the Asset

Management Team to procure additional expert resources to carry out the survey work needed to provide more reliable estimates of the work required and the costs and timescales for carrying it out.

- 7.5 The profit and loss and cashflow forecasts based on the existing £6m of capital investment are set out in the table below.



- 7.6 The cash position moves from surplus in 2021/22 to a deficit in 2022/23 due to the capital expenditure requirements in the plan. This deficit increases until 2025/26 with a peak cumulative deficit of £2.7m. The plan then starts to generate cashflow surpluses and eliminates the deficit in 2032/33.

- 7.7 It should be noted that the current capital investment forecasts are likely to understate the investment requirement. This is due to the scale of works expected to be required at FWH’s blocks in South Kilburn and the need to make allowance for ongoing capital investment throughout the life of the plan.

- 7.8 The survey work to be carried out will allow for more reliable capital investment requirements to be included in the plan and an options appraisal to be carried out as to how to ensure the financial viability of the organisation going forwards.

## 8.0 Legal Implications

- 8.1 The adoption of the proposed Business Plan is a matter reserved to the Council as the sole Guarantor in First Wave Housing Ltd (“FWH”) and the intention is to seek Cabinet approval in February 2020. In addition to being a local authority company, FWH is a registered provider subject to regulation by the Social Housing Regulator.

- 8.2 Local Housing Allowance rates (LHA) apply to private rented sector rather than to the social housing sector. FWH needs to ensure that the levels of “eligible rent” charged by FWH do not fall outside the scope of the statutory Rent Standard set by the Social Housing Regulator, for property let from April 2020. This is not necessary if the relevant property is exempt from the Rent Standard.

- 8.3 As regards paras 6.3 and 6.4, FWH has statutory repair duties in relation to the structure and exterior, and the repair and safety of the gas, electricity and plumbing services for the properties that it lets.
- 8.4 FWH tenants on Assured Tenancies or Assured Shorthold Tenancies affected by the Capital Investment Programme works referred to at para 6.3 ought to be informed and consulted as to the nature and timing of the works proposed to their homes though statutory consultation is not required.
- 8.5 FWH is a wholly-owned local authority company, controlled by the Council, established in order to support the Council's homelessness agenda, by owning and managing housing stock previously held by Brent Housing Partnership. The Council exercises a degree of control over disposal of these properties given the need for it to consent to such disposal. In exercising that control, the Council ought to ensure that, any voluntary sale by agreement of the four properties described at para 3.6 is for best consideration reasonably achievable by FWH in accordance with section 123 of the Local Government Act 1972.
- 8.6 Full market value for each property sold, will help enable FWH and the Council to ensure that the Council and FWH are not just section 123-compliant, but that, in the case of the property within Brent, such sale is also state-aid compliant. If the relevant property is worth more than 200,000 Euros, then sale at full market value will ensure Brent Council and FWH have acted in accordance with the Market Economy Investor Principle ("MEIP") because they will have acted like a private investor selling or leasing land or buildings in similar circumstances.
- 8.7 Wholly-owned local authority companies such as FWH, established and solely owned by a Council Parent, will be regarded as "contracting authorities" in their own right, for the purposes of the Procurement Regulations 2015 ("PCR"). This means that unless relevant PCR exemptions apply any services or works that FWH commissions from another organisation, company, firm or trader, will have to be competitively tendered on the open market, if the total value of the relevant Contract amounts to more than the relevant EU financial threshold (currently £181,302 for services or £4,551,413 for works).

## **9.0 Equality Implications**

- 9.1 N/A

## **10.0 Any other implications**

- 10.1 N/A

## **11.0 Proposed Consultation with Ward Members and Stakeholders**

- 11.1 N/A