

First Wave Housing 2021-22 Business Plan

1. Introduction

- 1.1. First Wave Housing Limited (FWH; the Company), formerly Brent Housing Partnership (BHP), is a local authority owned company of the London Borough of Brent (LBB; the Council), and is limited by guarantee.
- 1.2. FWH is a registered provider of social housing (RP). The Regulatory Framework for Social Housing in England governs registered social housing providers. The Framework includes a code of practice, guidelines for rent levels, accounting practices and disposals. There are a number of benefits associated with being an RP.
- 1.3. The following document is FWH's 2021-22 Business Plan. The Business Plan outlines how the Company plans to improve the quality of its stock, grow, and increase its contribution to the Council's ambition of creating a borough with "a future built for everyone, an economy fit for all".
- 1.4. The Business Plan takes the following format:
 - 2.0 Purpose of the Company
 - 3.0 Performance against Overall Purpose
 - 4.0 Progress against the Company's 2020-21 Business Plan
 - 5.0 Context for 2021-22 Business Plan
 - 6.0 Strategic Priorities for 2021-22
 - 7.0 Appendices
 - A1 Closed Financial Appendix – Financial Implications of Proposals
 - A2 Risk Register
 - A3 Key Tasks

2. Purpose of the Company

2.1. Purpose of the Company

2.2. FWH's primary purpose is to provide good quality, affordable, secure, and well managed homes to Brent residents and to contribute to Brent's Housing Strategy. It does this by managing, maintaining and improving its stock of 329 properties.

2.3. As a registered social landlord, FWH will aim to increase the size of its portfolio if this is appropriate to the Council's housing aspirations; for example, where this supports the Council's social housing strategy and expands the Council's affordable housing offer.

2.4. Stock Breakdown

2.5. FWH currently manages 329 properties. Of this 329, 170 are at settled homes rates, 89 are at social rent rate, 25 are at intermediate rent, and 45 are at market/PRS rent. The annual rent roll is £4.2 million. There are also two commercial properties within the portfolio.

Table One – FWH Stock Breakdown

Product Type	No. properties	Average Weekly Rent (19/20)	Sum of Weekly Rent (19/20)
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

2.6. General Needs – These tenancies are Assured Shorthold Tenancy Agreements with rents protected at social rent levels which are below 50% of market rent. FWH has 89 of these properties from one bed to four bed and they include five new build houses.

2.7. Settled Homes – These properties were purchased with a grant providing the tenants with protected rights including the right to buy their home. Settled homes are a form of long-term temporary accommodation. They are let on assured shorthold tenancies. When business plan surpluses are sufficient, properties will be converted, on an

incremental basis, to affordable rents on assured tenancies.

- 2.8. Intermediate rents – Tenants have assured shorthold tenancies. Properties are let at discounted market rents with the intention that tenants use the discount to save for a deposit. FWH has 25 intermediate rent properties.
- 2.9. Market rents – When market rented properties become void, they are let at LHA levels to households through a nomination agreement between the Council and FWH. One bed market rented properties are let at a two bed rate. This helps assist the Council's homelessness reduction agenda. FWH has 45 one bedroom market rent properties. To date, seven properties have been converted to the LHA rate.

3. Performance against Overall Purpose

- 3.1. 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.
- 3.2. Based on STAR surveys, customer dissatisfaction with Brent Housing Management (BHM) has reduced between 2018 and 2020. 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. An action plan is being developed to address these areas.

Table Two – 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. Progress against the Company's 2020-21 Business Plan

4.1. In the 2020-21 Business Plan, the Guarantor 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.

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

4.3. Capital Investment Programme update

4.3.1. The 2020-21 Business Plan outlined an initial Capital Investment Plan. In the last year, FWH has been working with the Guarantor to better understand works required and costs in order to develop a financially viable approach for capital investment works in relation to eight of the company's blocks in South Kilburn which were inherited from Brent Housing Partnership (BHP). This has taken longer than anticipated because, in 2020-21, further compliance and building fabric deficiencies were identified at these blocks. Detailed investigation is underway to determine the required remediation and the likely cost of this work. The Company's main priority for 2021-22 will be identifying a safe, viable and affordable way of improving the condition of these blocks.

4.4. Property disposal update

4.4.1. 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.

4.4.2. 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.

4.5. New build purchase update

4.5.1. 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.

- 4.5.2. 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.
- 4.5.3. 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.

5. Context for 2021-22 Business Plan

5.1. This section outlines the various contextual factors that have influenced the FWH Business Plan and how they influence FWH. These include, but are not limited to:

- The state of the housing market;
- The impact of Brexit;
- The impact of Covid-19; and
- The key risks the Company currently faces.

5.2. These factors have influenced the proposals outlined in Section 6.

5.3. *The housing market*

5.3.1. According to the Royal Institution of Chartered Surveyors (RICS), the housing market has seen high levels of activity since the first national lockdown was lifted, with Rightmove adding that sales are at their highest for over a decade. This is expected to last until around the end of 2020.

5.3.2. In addition to this, house prices are rising. Savills note an overall annual growth of 5% and a 1.5% quarterly growth in London itself. They anticipate positive value growth of house prices across all regions to continue throughout 2020, but this growth is predicted to stop in 2021. This is based on factors such as the impending end of the Brexit transition period, rising unemployment as government support following Covid-19 reduces, low GDP figures in August and the end of the stamp duty holiday.

5.3.3. As housing in Brent is forecast to become increasingly unaffordable, the work FWH does in providing affordable rented housing will remain beneficial to the Council.

5.4. *The impact of Brexit*

5.4.1. The impact of Brexit on the housing market remains largely uncertain. It is generally thought that Brexit will lead to a fall in housing prices. If FWH should seek to increase the size of its portfolio to expand the Council's affordable housing offer, any anticipated fall in house prices will allow the Company to purchase properties at lower prices.

5.4.2. Where this supports the Council's social housing strategy, FWH might also seek to purchase new build accommodation. Brexit could lead to increased costs in this area. Tariffs will increase the cost of materials and therefore increase construction costs. Furthermore, there is already a shortage of building workers. Reduced EU migration will increase this shortage and thus adversely affect the speed and cost of housebuilding.

5.5. *The impact of Covid-19*

5.5.1. As a result of Covid-19, the Government suspended evictions and possession proceedings. Therefore, in 2020-21 there have been fewer evictions, which means

that the number of people eligible for temporary accommodation (TA), and therefore the number of potential FWH tenants, has reduced.

- 5.5.2. However, when this suspension on evictions is lifted, it is likely that homelessness will increase as a result of the economic impact of Covid-19. For example, Brent has a very high number of furloughed employees whose jobs could be at risk when furlough ends.
- 5.5.3. Covid-19 has also had a negative impact on employment rates and thus people's ability to pay, meaning that rent collection rates have decreased.
- 5.5.4. In the longer term, Covid-19 could have a significant impact on demand for housing. The increase in the number of people working from home will have an impact on the London property market, as it is likely that more people will move outside of the capital.

5.6. *Risk context*

5.6.1. The Company currently faces a number of risks. Key risks include:

- High Capital Programme costs undermine the viability of the business plan.
- 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.
- Poor contractor performance and information control results in FWH properties being non-compliant with statutory H&S objectives.

5.6.2. Mitigating measures are in place to help to minimise the impact of all risks. A copy of the full Company risk register has been included in Appendix 2.

6. Strategic Priorities for 2021-22

6.1 The following section outlines the Company's strategic priorities for 2021-22. 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.

6.2 Delivering safe and sustainable homes

6.2.1 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:

6.2.2 Priority 1: Carry out a programme to improve the condition and sustainability of blocks in South Kilburn

6.2.3 This is the Company's main priority for 2021-22. The Company has identified building fabric deficiencies at eight of its blocks in South Kilburn.

6.2.4 It is likely that substantial and costly remediation works will be required to ensure compliance, although it is not possible to determine the required remediation works to the blocks until further intrusive investigations have been undertaken.

6.2.5 The Company's key focus for 2021-22 will be to remedy these deficiencies and improve the long-term sustainability of the assets. The Company will look to identify a solution that is viable, affordable, and delivers for tenants.

6.2.6 Priority 2: Establish a suite of compliance policies and standards to ensure legal compliance

6.2.7 In order to ensure that FWH remains legally compliant, the Company will review a set of related policies and standards across 2021-22. Once implemented, these will be regularly monitored and reviewed to ensure their continued effectiveness.

6.2.8 Priority 3: Establish a suite of performance monitoring metrics to give the Board assurance on compliance levels

6.2.9 To effectively report to the Board on the suite of compliance policies and standards, an accompanying set of metrics will be developed. Regular reviews using these metrics will give assurance that the Company is compliant and continues to be so.

6.2.10 Priority 4: Carry out an audit of the new compliance suite

6.2.11 A review of the new compliance policies and standards will be essential to ensure that they are appropriate in enabling the Company to remain compliant and to monitor performance effectively.

6.3 Increasing the supply of affordable housing in the borough

6.3.1 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.

- 6.3.2 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:
- 6.3.3 Priority 1: Remain available as an RP to support the Council's affordable housing aspirations
- 6.3.4 As a registered provider, there will be scope for FWH to use grant funding when purchasing properties.
- 6.3.5 In 2020-21, FWH will work with the Council and private sector partners to identify affordable new build housing opportunities in the borough. As these opportunities develop, FWH will review its financial model and potential grant funding opportunities to ensure schemes remain affordable and in keeping with the Council's requirement of 65% of market rents.

6.4 Running a viable business

- 6.4.1 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 that 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:
- 6.4.2 Priority 1: Carry out a benchmarking exercise
- 6.4.3 In 2021-22, FWH will carry out a benchmarking exercise to better understand its costs and operational performance in relation to other registered providers. FWH will use the findings of this to identify areas of underperformance and put in actions to resolve this.
- 6.4.4 Priority 2: Reduce void times
- 6.4.5 As Table 2 demonstrates, void periods are a current area of underperformance. In 2021-22, FWH will work with the Council's internal void team to improve void performance and reduce void rent loss.
- 6.4.6 Priority 3: Develop an Asset Management Strategy for FWH
- 6.4.7 In 2021-22, FWH will work with the Council's Asset Management team and external third party freeholders to develop a long term asset management strategy for the Company.
- 6.4.8 Priority 4: Implement an Oracle Cloud finance system for FWH
- 6.4.9 A new cloud-based finance system will enable financial reporting to be more transparent, reliable and timely.
- 6.4.10 Priority 5: Review utilities charging processes to ensure timeliness and accuracy
- 6.4.11 During 2021/22, the Company will work with the Commercial Energy team to carry out a review of FWH utility processes. This will involve identifying FWH meters and

bills. FWH will work with the Commercial Energy team to carry out a value for money review of utilities processes.

6.4.12 Priority 6: Review void and repair costs

6.4.13 The Company will also carry out a value for money review of its void and repair processes.

6.5 Providing a consistently good housing service

6.5.1 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 its 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:

6.5.2 Priority 1: Review approach to assessing customer satisfaction

6.5.3 FWH has worked with Housing Management agents to establish a customer satisfaction baseline. This will be used to identify issues and develop an action plan, allowing the Company to track and improve satisfaction going forward.

6.5.4 Priority 2: Review the sustainability and affordability of rent levels

6.5.5 In 2021-22, the Company will review its rent levels to ensure they are affordable and sustainable for tenants.

Closed Appendix – Appendix 1 – Financial Analysis

Please refer to Appendix 1(a) of the accompanying cover report for the FWH Closed Financial Appendix document.

Appendix 2 – Risk Register

See Appendix 1(b) of accompanying cover report.

Appendix 3 – Key Tasks

See Appendix 1(c) of accompanying cover report.