

 Brent	Cabinet 7 March 2022
	Report from the Chief Executive
First Wave Housing Ltd Business Plan 2022/23	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt – Appendix 1 of the Business Plan (Financial Appendices i-ii) are exempt as they contain the following category of exempt information as specified in Paragraph 3, Schedule 12A 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)”
No. of Appendices:	Five Appendix 1 First Wave Housing 2022/23 Company Business Plan Appendix 2 Company Risk Register Appendix 3 2021/22 Key Tasks – Progress Update Appendix 4: 2022/23 Key Tasks Appendix 5 Housing Companies’ Development Strategy
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Sadie East Operational Director of Transformation Tel: 020 8937 1507 Sadie.East@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report provides Cabinet with a final draft of the First Wave Housing Ltd (FWH) 2022/23 Business Plan. Cabinet is asked to approve the Business Plan on behalf of the Guarantor.

2.0 Recommendations

- 2.1 Cabinet approve FWH's 2022/23 Business Plan.
- 2.2 Cabinet approves the content and proposed strategic priorities of FWH's 2022/23 Business Plan.
- 2.3 Cabinet approves the updated financial model contained within the 2022/23 Business Plan.
- 2.4 Cabinet approve the Housing Companies' Development Strategy.

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 2022/23 Business Plan.
- 3.3 This report provides a final draft version of FWH's Business Plan for 2022/23. This version was presented to the FWH Board on the 27th January 2022, the Company Guarantor on the 28th January 2022 and CMT on the 3rd February 2022. Feedback from the Board and Guarantor as well as CMT has been incorporated into the final draft presented to Cabinet.
- 3.4 *Stock Breakdown*
- 3.5 FWH currently manages 326 rented properties and one leasehold property, a total of 327 properties. As the transfer of 110 properties at Granville New Homes has now been agreed, by 1 April 2022 84 social housing units, 1 leasehold unit, and the freehold for the site (including the Tabot Centre) will be transferred to the Council's HRA, and 25 intermediate units will be transferred to i4B Holdings Ltd (i4B).
- 3.6 Tables One and Two below show a breakdown of FWH's stock and rent levels pre- and post-transfer of Granville New Homes.

Table One – FWH Stock Breakdown Pre-Transfer

Product Type	No. Properties	Average Weekly Rent	Sum of Weekly Rent
General Needs	89	£119	£10,584
1 bed	24	£106	£2,541
2 bed	32	£116	£3,718
3 bed	23	£130	£2,985
4 bed	10	£134	£1,340
Intermediate Rent	25	£322	£8,058
1 bed	12	£304	£3,646
2 bed	13	£339	£4,412
Market Rented	45	£302	£13,606
1 bed	45	£302	£13,606
Settled Housing	167	£302	£50,453
1 bed	10	£275	£2,748
2 bed	135	£303	£40,856
3 bed	22	£311	£6,849
Grand Total	326	£254	£82,701

Table Two – FWH Stock Breakdown Post-Transfer

Product Type	No. Properties	Average Weekly Rent	Sum of Weekly Rent
General Needs	5	£141	£705
3 bed	5	£141	£705
Market Rented	45	£302	£13,606
1 bed	45	£302	£13,606
Settled Housing	167	£302	£50,453
1 bed	10	£275	£2,748
2 bed	135	£303	£40,856
3 bed	22	£311	£6,849
Grand Total	217	£298	£64,764

4.0 Update on Operational Performance

4.1 Table Three below gives a summary of operational performance at December 2021. 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 where performance has deteriorated in 2021-22 and requires improvement. The Company continues to provide a good housing service to residents.

Table Three – Key Performance Indicators

Indicator	Target	Performance at December 2020	Performance at December 2021
Minor void re-let times	35 days	62 days	78 days
Major void re-let times	72 days	122 days	85 days
Rent collection	98.50%	96.77%	100.35%
Void rent loss	1.50%	4%	6.5%
Emergency repairs completed within 24 hours	100%	98%	99%
Urgent and routine repairs completed within 14 days (not included Excluded or communal work programme)	95%	83%	85%
% of portfolio with valid CP12 gas certificate	100%	100%	99%

4.2 Voids

4.2.1 Void times for FWH remain significantly outside of target, with year-to-date minor voids at 78 days against a target of 35 days, and major voids at 85 days against a target of 72 days. A review of the voids process was carried out and has shown that the poor performance is largely due to historic void cases. Delays are principally in the nomination and letting stage, although there remain some issues with works, largely due to labour shortages or material delays.

4.2.2 In order to ensure good performance going forward, a number of improvement actions have been outlined. These actions are currently being implemented with an update to be provided to the Board in March 2022. Some of these include: appointment of a new interim voids and lettings manager; more robust performance management for voids and lettings officers; and new policy positions to reduce delays in the process.

4.3 Rent Collection

4.3.1 Rent collection is above the target of 98.5% and performance has improved since December 2020. The service still offers support to tenants in financial hardship by promoting the Resident Support Fund.

4.4 Repairs

4.4.1 The vast majority of emergency repairs in the year have been responded to within 24 hours. Performance for urgent and routine repairs are below target, and all out-of-target cases are investigated as part of contract monitoring.

5.0 Update on Granville New Homes

- 5.1 It was identified that FWH's blocks in South Kilburn (known as Granville New Homes) require remediation works to address fire safety and water penetration issues. Consultants were commissioned by FWH to investigate the issues, identify remediation works required, and to estimate the costs of remediation works. The estimated costs to remediate the issues made the FWH business plan unaffordable.
- 5.2 Work was carried out to identify a solution that allowed works to be carried out as effectively and quickly as possible, whilst also maintaining the viability of FWH. The agreed approach by the FWH Board and Brent Council Cabinet was to transfer 84 social housing units, one leasehold unit, and the freehold for the site (including the Tabot Centre) to the Council's HRA, and 25 intermediate units to i4B. It was also agreed that FWH's debt would be refinanced.
- 5.3 All FWH tenants living in Granville New Homes were invited to take part in a consultation on the proposal to change their landlord with 84 social rented units going to the HRA and the 25 intermediate rented units to i4B. The consultation was positive and no objections were received from any of the residents on the proposed changes
- 5.4 A report outlining the positive outcome of the consultation, and recommending that the Strategic Director of Community Wellbeing approve the transfer of Granville New Homes to the HRA and i4B was approved on 8th December. The decision was added to the Council's Forward Plan as a key decision and has not been called in. As a result, the decision has been approved, and all parties can now proceed with the transfer.
- 5.5 A Project Group has been set up to ensure the smooth handover of the blocks from First Wave Housing to the HRA and i4B. The Group has representatives from Legal, Finance, FWH, i4B, and Housing Management and is meeting on a fortnightly basis. A transfer project plan has been created and the transfer is due to occur on 1 April 2022 to coincide with the new financial year.
- 5.6 In addition, a project plan has been drafted for the remediation work. As the Council's HRA will be carrying out the works the Council's Housing Property Service are leading on this as opposed to FWH. At present, it is anticipated that works commence in February 2023.

6.0 Progress in Implementing 2021/22 Business Plan

- 6.1 In February 2021, the 2021/22 FWH Business Plan was approved. The plan outlined the following as the Company's medium- to long-term objectives:
 - Delivering safe and sustainable homes
 - Increasing the supply of affordable housing in the borough
 - Running a viable business
 - Providing a consistently good housing service

6.2 The following summarises each of the strategic objectives and reports on progress against these.

6.3 Delivering safe and sustainable homes

6.3.1 As outlined in Section 5, the Granville New Homes will be transferred on the 1st of April 2022 and remediation works are set to be carried out in 2023.

6.3.5 Separately to this, FWH, in partnership with Brent Housing Management, has carried out a review of its compliance arrangements and policies. Existing policies have been reviewed and further work is required to put in place an effective set of policies and performance metrics. This will therefore be carried over into the 2022-23 Business Plan.

6.4 Increasing the supply of affordable housing in the borough

6.4.1 FWH is one of several funding and delivery routes the Council has to increase the amount of affordable housing in the borough. FWH remains available as an RP to support the Council's affordable housing aspirations.

6.4.2 A Development Strategy has been drafted for the Council's two housing companies. This will be in place for the start of 2022-23 and will outline the work the Company will carry out to enable it to deliver new build schemes in the future, including necessary financing arrangements. The outcomes of the Development Strategy will also be applicable when assessing the future developments.

6.4.3 While no new build opportunities for FWH have been progressed in 2021-22, in July 2021 the Mayor of London announced the Right to Buy Back Fund, a grant opportunity designated to boroughs to buy former council homes that were sold on the private market through the Government's Right to Buy programme. This is being explored as a potential opportunity for FWH.

6.5 Running a viable business

6.5.1 In the 2021-22 Business Plan FWH aimed to improve void times and thereby reduce void rent loss. While issues with high void times remain, a new interim voids and lettings manager has been appointed and the voids process has been reviewed. As a result, an improvement action plan is in place, and performance will be reported to the Company Board and closely monitored over the coming financial year.

6.5.2 During 2021-22, the Company carried out a benchmarking exercise on its operational and financial performance. This provided useful insights, including repairs performance being strong and costs being generally in line with sectoral averages. However, FWH's capital spend is currently low. During 2022-23, therefore, an asset management strategy and value for money (VfM) strategy will be developed.

6.6 Providing a consistently good housing service

6.6.1 FWH aims to ensure tenant satisfaction and therefore monitors this regularly through monthly reports to the Board and biennial STAR surveys. The next STAR survey is due in 2022 and will occur after the transfer of Granville New Homes.

6.6.2. A customer satisfaction improvement plan has been implemented. Some of the key actions from the customer satisfaction improvement plan are:

- Brent Housing Management restructure and monthly service improvement board meetings
- Communication plan and appointment of a dedicated housing officer for FWH
- Introduction of compliance reporting and improved performance reporting
- Improved grip on voids management process and inspection of external communal areas

7.0 **2022/23 Business Plan**

7.1 Appendix 1 contains a final draft of the Company's 2022/23 Business Plan. The FWH Board met on the 27th January 2022 to discuss the Business Plan. Officers have used the feedback provided and developed the Business Plan further. Cabinet is asked approve the Business Plan.

7.2 The 2022/23 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2022/23 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.

7.3 Cabinet should note that the business plans were reviewed by the FWH Board, Guarantor on the 28th January and CMT on the 3rd February 2022. Feedback was that further information should be included on how FWH plans to progress decarbonisation work in 2022/23. This information has been incorporated into the 2022/23 business plan.

7.4 Delivering safe and sustainable homes

7.4.1 This objective involves ensuring that FWH's homes are of a good quality, safe, compliant, and environmentally sustainable. Strategic priorities for 2022/23 that relate to this objective are:

- Priority 1: Implement the transfer of the Granville New Homes properties to i4B and the HRA

- 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
- Priority 5: Commission review of energy performance data for current stock
- Priority 6: Commission review to understand what work is required to bring stock up to an average of EPC B
- Priority 7: Model cost implications of bringing stock up to an average EPC B rating and develop a funding strategy for financing a carbon reduction works programme

7.5 Increasing the supply of affordable housing in the borough

7.5.1 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.

7.5.2 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 2022/23 is:

- Priority 8: Remain available as an RP to support the Council's affordable housing aspirations

7.6 Running a viable business

7.6.1 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 2022/23 that relate to this objective are:

- Priority 9: Reduce void times
- Priority 10: Develop an Asset Management Strategy for FWH
- Priority 11: Review void and repair costs
- Priority 12: Develop and implement a value for money strategy for FWH
- Priority 13: Review approach to former tenant arrears

7.7 Providing a consistently good housing service

7.7.1 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 2022/23 that relate to this objective are:

- Priority 14: Monitor tenant satisfaction

8.0 Financial Implications

8.1 The financial implications for the Business Plan are set out in the plan itself. The key factors are that the plan has now been adjusted for the transfer of the Granville New Homes units to the HRA and i4B. The outstanding debt has been remodelled with a 2% financing rate over 50 years. Key assumptions have been reviewed with higher inflation rates assumed and a higher per unit repairs costs modelled into the plan.

8.2 The Business Plan demonstrates that First Wave Housing can operate as a going concern following the transfer out of the Granville New Homes units and the refinancing of the FWH debt.

9.0 Legal Implications

9.1 The adoption of the proposed Business Plan is a matter reserved to the Council as the sole Guarantor in FWH and the intention is to seek Cabinet approval on 7 March 2022. In addition to being a local authority company, FWH is a registered provider subject to regulation by the Social Housing Regulator.

9.2 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.

9.3 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. Whilst FWH will continue to own various properties, the intention is to transfer the Granville New Homes properties on 1 April 2022 to the Council and to i4B. The legal implications of such transfer and the refinancing of FWH debt with the Council as detailed in paragraph 5.2 are set out in section 13 in paragraphs 13.1 to 13.16 of the report to Cabinet on 11 October 2021 and in the Legal Implications section of the report to the Strategic Director Community Wellbeing dated 6 December 2021.

9.4 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 will have to be competitively tendered on the open market, if the total value is above the relevant PCR threshold.

10.0 Equality Implications

10.1 N/A

11.0 Consultation with Ward Members and Stakeholders

11.1 N/A

12.0 Human Resources/Property Implications (if appropriate)

12.1 N/A

Report sign off:

Carolyn Downs
Chief Executive