

	Audit and Standards Advisory Committee
	Report from the Chair of First Wave Housing Limited
Report on First Wave Housing Limited	

Wards Affected:	All
Key or Non-Key Decision:	N/A
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 Company Risk Register
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Operational 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 First Wave Housing Ltd.'s (FWH; The Company) recent performance, Granville New Homes, the FWH 2022/23 business plan, risk register, and audit arrangements.

2.0. Recommendation(s)

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

3.0. Detail

- 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 has drafted its 2022/23 Business Plan.
- 3.3. The 2022/23 business plan was presented to the FWH Board on 27 January 2022, the Company Guarantor on 28 January 2022 and CMT on 3 February

2022. Feedback from the Board and Guarantor as well as CMT has been incorporated into the final draft presented to Cabinet on 7 March 2022.

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 4 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. Operational Performance

4.1. 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 where performance has deteriorated in 2021-22 and requires improvement. The Company continues to provide a good housing service to residents.

Table Three – Summary of Performance

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 operational procedures 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. The Board is conscious that the increase in the cost of living could have an impact on rent collection and the business plan modelling for FWH. This will be monitored closely going forward as a potential risk.

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. Granville New Homes Update

- 5.1. As reported to the Committee in September 2021, 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 would allow works to be completed as effectively and quickly as possible, whilst also maintaining the viability of FWH. In October 2021, the Brent Council Cabinet (as Guarantor) agreed to an approach whereby the 84 social housing units, one leasehold unit, and the freehold for the site (including the Tabot Centre) are transferred to the Council's HRA, and 25 intermediate units to i4B. It was also agreed that FWH's debt would be refinanced.
- 5.3. This solution ensures that FWH can continue to operate as a going concern without the Council guarantee of support being called on. It is also affordable to the Council's HRA and General Fund and is the most financially beneficial solution to the Council group as a whole. Finally, the solution also maintains the rights and rents of tenants.
- 5.4. In October 2021, as per Regulator of Social Housing guidance, Cabinet agreed to consult with residents on the proposal. The consultation was positive and no objections were received from any of the residents on the proposed changes.
- 5.5. 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 8 December 2021. All parties can now proceed with the transfer.
- 5.6. A transfer project plan has been created and the transfer is due to occur on 4 April 2022.

5.7. The Council's Housing Property Service is managing the remediation work

6.0. 2021/22 Financial Forecast

6.1. The financial monitoring position for FWH is set out in the table below. The operating surplus for 2021/22 is forecast at £0.788m which is 0.435m less than the budgeted surplus of £1.223m.

6.2. Income is £0.097m less than budget due to lower than budgeted commercial income and higher voids levels than budget. Void income loss has increased.

6.3. Expenditure is £0.338m more than budget with a reduction in maintenance expenditure being offset by an increase in supplies and services expenditure due to increased costs of the waking watch of £0.171m at Granville New Homes.

<u>FWH - Forecast 2021/22</u>	Budget	Forecast	Variance	
	21/22	21/22	£	%
	£	£		
Rents				
Gross Rental	4,376,000	4,355,666	(20,334)	0%
Void rent loss	(175,000)	(251,698)	76,698	-44%
Rent Turnover	4,201,000	4,103,967	(97,033)	-2%
Operating Costs				
Management Fee SLA	588,000	604,000	16,000	3%
Audit Fees and Consultants	34,000	34,000	0	0%
Provision for Doubtful Debts	294,000	100,000	(194,000)	-66%
Leasehold Service Charges	249,000	215,000	(34,000)	-14%
Insurance	66,000	30,000	(36,000)	-55%
Property Maintenance Costs	395,000	685,000	290,000	73%
Utilities	180,000	164,000	(16,000)	-9%
Supplies and Services	92,000	404,000	312,000	339%
Total Costs Excluding Depreciation	1,898,000	2,236,000	338,000	18%
Operating Profit	2,303,000	1,867,967	(435,033)	-19%
Interest Charge	1,080,000	1,080,000	0	0%
Net profit after financing costs	1,223,000	787,967	(435,033)	-36%

7.0. 2022/23 Business Plan

7.1. The Company's Board, Shareholder and CMT have fed into the development of the 2022/23 business plan, and a final version went to Cabinet for Shareholder approval on 7 March 2022. Officers have used the feedback provided and developed the Business Plan further.

7.2. The 2022-23 Business Plan is set out within the framework of the housing companies' medium to long-term objectives.

7.3. The 2022/23 Business Plan outlines the Company's strategic priorities for the year. The key priorities for each of these are as follows:

7.3.1. Delivering safe and sustainable homes

- 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

7.3.2. Increasing the supply of affordable housing in the borough

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

7.3.3. Running a viable business

- 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

7.3.4. Providing a consistently good housing service

- Priority 14: Monitor tenant satisfaction

8.0. Financial Implications of the Business Plan

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. Risk Update

9.1. The Company currently faces a number of risks, the FWH risk register is included in Appendix 1. Key risks include:

- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- Poor data quality on asset management systems means compliance with Health and Safety 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 Health and Safety objectives.
- High void rent loss due to long void turnaround times.
- Tenant non-payment of rent increases due to unaffordability of rent.

9.2. The Company's risk register is reviewed quarterly. Throughout the risk register business plans assumptions and mitigations are updated.

10.0. Audit Update

10.1. An internal audit has taken place on Health and Safety Compliance of FWH. The FWH Board is awaiting the final report on this audit.

10.2. As part of the Council's audit plan for 2021-22 a Governance audit will be carried out for both of the Council's housing companies and is due to commence on 28 February 2022.