



**Audit and Standards Advisory
Committee**
21 March 2023

**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: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	One Appendix 1 Company Risk Register
Background Papers:	N/A
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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, the FWH 2023/24 business plan and risk register.

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 2023/24 Business Plan.

3.3. The 2023/24 business plan was presented to the Company Guarantor on 11th January 2023, the FWH Board on 24th January 2023 and CMT on 16th February 2023. Feedback from the Board and Guarantor as well as CMT has been incorporated into the final draft presented to Cabinet on 13th March 2023.

3.4 Stock Breakdown

3.5 On the 4th April 2022, the transfer of 110 properties at Granville New Homes was completed – 84 social housing units, 1 leasehold unit, and the freehold for the site (including the Tabot Centre) were transferred to the Council’s HRA, and 25 intermediate units were transferred to i4B Holdings Ltd (i4B).

3.6 FWH now manages a total of 216 properties. Of these properties, 166 are settled homes, 45 are market rented and 5 are general needs. The annual rent figure is £3,448,224.

4.0 Update on Operational Performance

4.1 Table One below provides a summary of operational performance at January 2023. FWH has not purchased any new properties, therefore performance is based on housing management. FWH’s overall performance is reasonable, although void times continue to be an issue and repairs performance is below target. The Company continues to provide a good housing service to residents, and rent collection performance is strong.

Table One – Operational Performance

Indicator	Target	Performance at December 2021 (YTD)	Performance at January 2023 (YTD)
Minor void re-let times	35 days	78 days	157 days
Major void re-let times	72 days	85 days	193 days
Rent collection	98.50%	100.35%	98%
Void rent loss	1.50%	6.5%	9%*
Emergency repairs completed within 24 hours	100%	99%	99%
Urgent repairs completed within 7 days	95%	79%	82%
Routine repairs completed within 28 days	95%	91%	74%
% of properties with a valid gas safety certificate	100%	99%	100%

*figure is for December 2022 as this is reported on a bi-monthly basis

- 4.2. High void times continue to represent the principal operational issue for FWH, with both minor and major void times remaining out of target. In order to address this, a void improvement project has been set up covering both the housing companies and the Council's Housing Revenue Account.
- 4.3. BHM are undertaking a series of actions to improve void turnaround performance. These include:
- Updating the CRM system to provide better visibility to managers on outstanding actions for their staff. This will lead to improved identification of performance issues and necessary actions. The majority of this systems work is due to be completed on 8 April 2023.
 - The Homes & Communities team have resumed pre-tenancy termination inspections. The purpose of visits is to inspect the condition of the property and to remind the resident of their responsibilities and obligations when a tenancy is terminated.
 - For FWH properties, a single point of contact for the end-to-end void process will be introduced on a trial basis.
 - Voids & Lettings are engaging directly with British Gas to clear meter debts at the void stage. Subject to contractual agreement, this will remove previous delays related to using a third party contractor and thereby reduce void turnaround times.
 - DocuSign will be introduced at new sign-ups to increase efficiencies and improve the new tenant experience.
 - Additional training and away days are being arranged to discuss void processes and issues collaboratively across services, and identify solutions to improve performance.
- 4.4. FWH currently has 11 voids, and has re-let 29 properties in 2022/23 to date.

5.0. 2022/23 Financial Forecast

- 5.1. The financial monitoring position is set out in the table below. The operating surplus for 2022/23 is forecast at £1.068m which is £0.094m less than the budgeted surplus of £1.163m.
- 5.2. Gross income is slightly less than budget, but higher than budgeted void rent loss of £0.129m means net income is showing a £0.164m shortfall against budget.
- 5.3. Expenditure is forecast at £1.369m which represents an underspend of £0.070m against budget.
- 5.4. Financing costs are forecast at the budgeted level.

Table Two – Financial Forecast 2022/23

FWH - Forecast 2022/23	Budget	Forecast	Variance	
	2022/23	2022/23	£	%
	£	£	£	%
Rents				
Gross Rental	3,443,000	3,408,027	(34,973)	-1%
Void rent loss	(138,000)	(267,774)	(129,774)	94%
Rent Turnover	3,305,000	3,140,253	(164,747)	-5%
Operating Costs				
Management Fee SLA	391,000	449,689	58,689	15%
Audit Fees and Consultants	35,000	41,293	6,293	18%
Provision for Doubtful Debts	165,000	40,000	(125,000)	-76%
Leasehold Service Charges	257,000	217,451	(39,549)	-15%
Insurance	28,000	23,366	(4,634)	-17%
Property Maintenance Costs	446,000	467,755	21,755	5%
Utilities	23,000	23,000	0	0%
Supplies and Services	95,000	107,000	12,000	13%
Total Costs Excluding Depreciation	1,440,000	1,369,555	(70,445)	-5%
Operating Profit	1,865,000	1,770,698	(94,302)	-5%
Interest Charge	702,000	702,000	0	0%
Net profit after financing costs	1,163,000	1,068,698	(94,302)	-8%

6.0. 2023/24 Business Plan

6.1. FWH has drafted its annual business plan. The Company's Board, Guarantor and CMT have fed into the development of the plan, and a final version went to Cabinet for Shareholder approval on 13th March 2023.

6.2. The 2023/24 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2023/24 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. The strategic objectives and key priorities are as follows:

6.4. Delivering safe and sustainable homes

- Priority 1: Monitor health and safety compliance
- Priority 2: Review implications of Building Safety Act
- Priority 3: Develop decarbonisation strategy
- Priority 4: Develop disrepair policy

6.5. Increasing the supply of affordable housing in the borough

- Priority 5: Explore future financing arrangements with Council
- Priority 6: Review feasibility of a block acquisition
- Priority 7: Review feasibility of new build purchases
- Priority 8: Review feasibility of re-entering street property market

6.6. Running a Viable Business

- Priority 9: Carry out project to reduce arrears
- Priority 10: Implement VfM strategy
- Priority 11: Reduce void costs
- Priority 12: Improve void turnaround times
- Priority 13: Explore potential stock rationalisation

6.7. Providing a consistently good housing service

- Priority 14: Review tenant satisfaction
- Priority 15: Improve complaints oversight and monitoring

7.0. 30 Year Cashflow

7.1. Over the year, cost inflation has increased, income inflation has not kept pace with cost inflation and interest rates have risen. This has significantly reduced the financial capacity in the business plan. This effect can be seen at a national level in the global accounts and indices published by the Regulator for Social Housing (RSH).

7.2. The cash position of First Wave Housing has benefited from a capital receipt of £3.5m from the sale of 25 intermediate housing units to i4B. This is providing a financial cushion that is offsetting the impacts of the worsening economic environment.

7.3. As a result the cash position of FWH remains positive through the life of the plan even when the negative stress tests are applied to the core business planning assumptions.

7.4. The cash position at the start of the plan has increased as a result of the £3.5m capital receipt. Annual negative cash flows are experienced as decarbonisation works are carried out to the stock. The overall cash position remains in surplus throughout this period. Once decarbonisation works are completed the business starts to generate positive cash flows and rebuild its cash balances.

8.0. Risk Update

8.1. The FWH risk register is included in Appendix 1. The main risks the Company faces are detailed below:

- FWH lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
- 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.
- Compliance actions are not effectively identified, followed up and monitored when issues arise, leading to non-compliance with statutory obligations.
- Changing inflation or Government policy on rents and benefits means FWH cannot increase rents at business plan assumptions.
- High void rent loss due to long void turnaround times.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- Substantial variations in inflation and interest rates compared to the business plan adversely affect financial performance and viability.
- FWH is deemed to have failed a regulatory requirement in its corporate role.
- FWH is deemed to have failed a statutory requirement in its corporate role following developments in the regulatory environment such as the Hackitt Review.