

	<p align="center">First Wave Housing Ltd Guarantor Meeting 8 August 2023</p>
	<p align="center">Report from the Chair of First Wave Housing Ltd</p>
<p>Update on FWH Performance</p>	
<p>No. of Appendices</p>	<p>1 – FWH Compliance Scorecard 2 – FWH Risk Register</p>
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1.0 Purpose of the Report

- 1.1 This report provides an update on the performance of First Wave Housing Ltd (FWH).

2.0 Recommendation(s)

- 2.1 The Guarantor notes the update on FWH's financial and operational performance, risks and compliance.
- 2.2 The Guarantor notes the update on the 2023/24 FWH Business Plan.

3.0 Key Points

- 3.1 High void times remain a challenge for FWH; a voids hit squad has been in operation since July 2023 where officers are assigned cases to track and monitor ensuring delays are prevented.
- 3.2 In the 2022/23 financial year, the company made a profit (excluding depreciation, revaluations and tax) of £0.543m compared to £0.734m in 2021/22.
- 3.3 FWH's 2023/24 business plan was agreed by Cabinet in March 2023. FWH's priorities are set out within the framework of the Company's medium-to long-term objectives. These are:
- Increasing the supply of affordable housing in the borough;
 - Running a viable business;
 - Delivering safe and sustainable homes; and
 - Providing a consistently good housing service.

4.0 Update on Purchasing

- 4.1 First Wave Housing and i4B have a common acquisition & development strategy, under which opportunities are progressed through either company in the way that is most beneficial to the overall Council housing group. For example, i4B carries out the companies' ongoing street property acquisition programme. As a Registered Provider, FWH is eligible for certain grant opportunities not available to i4B.
- 4.2 For example, FWH is seeking to purchase six properties in 2023-24 through the GLA's Refugee Housing Programme to provide housing for Afghan and Ukrainian refugees. The programme is targeting larger homes with at least four bedrooms, with purchases to be 50% grant funded and 50% funded by a loan from the Council to FWH; the terms of this loan are in the process of being agreed.
- 4.3 Alongside this, FWH is also open to larger new build block opportunities. FWH recently commissioned consultants Red Loft to analyse the housing development market and the various delivery routes available to i4B and First Wave Housing. The results of this work were presented at a strategy session in May.
- 4.4 At the session, the Board confirmed that direct delivery of new development was out of scope for the scale of the companies. The Board agreed that purchasing a new build block through Section 106 or a bulk purchase would be the best way to use remaining funding quickly and usefully.
- 4.5 First Wave Housing is exploring the acquisition of 42 key worker housing units at Fulton Road, a development under construction in Wembley Park. The Council would lease these units to FWH, and the company is awaiting further information from the Council on service charges and other maintenance costs, following which a full appraisal of the scheme will be carried out and presented to the Board for review.
- 4.6 Any opportunity requiring more than the £20m of loan funding remaining to FWH would require new loan finance from the Council as Guarantor. The Guarantor is asked to provide initial feedback on the availability of loan funding for such future opportunities.
- 4.7 Should FWH wish to pursue any purchasing opportunities, new loan finance would need to be agreed with the Council. The Company will hold discussions with the Guarantor as necessary when opportunities arise.

5.0 Update on Financial Performance

- 5.1 In the 2022/23 financial year, the company made a profit (excluding depreciation, revaluations and tax) of £0.543m compared to £0.734m in 2021/22.
- 5.2 *Summary Financial Outturn*
- 5.2.1 The financial outturn for the year is below. Rent turnover for the year is largely in line with budget at £3.29m (this is an adverse variance of £13k against budget).

Table 1 – Financial Outturn 2022/23

FWH 22/23 Outturn	Budget 22/23	March 23 Outturn	Variance to Budget
Income	3,305	3,292	(13)
Expenditure	(1,440)	(2,047)	(607)
Financing	(702)	(702)	0
Profit (Loss) before tax revaluations and depreciation	1,163	543	(620)

5.3 *Income and Expenditure Statement*

5.3.1 Profit excluding depreciation, revaluations and tax is £0.543m compared to £0.734 in 2021/22.

5.3.2 Turnover for 2022/23 is £3.292m; this is lower than 2021/22 by £851k, which is mainly due to the transfer of 110 properties at Granville New Homes to i4B and the Council in April 2022.

5.3.3 The principal variations in outturn to the budget are mainly:

- Favourable variance in Provision for doubtful debts of £101k. This is because of a better performance in collection in the year.
- Property maintenance cost for the year is £318k higher than original budget and £271k higher than the March 2023 forecast. This is mainly made up of £178k refurbishment costs and an increase in Q4 property charges.
- Supplies and services is also £341k higher than the budget.

Statement of comprehensive income for the year ended 31 March 2023

	Note	2022/23	2021/22
		£'000	£'000
Turnover	5	3,292	4,143
Operating costs	6,7,8	(2,541)	(2,762)
Reversal of Revaluation loss on housing assets		0	3,530
Surplus on asset disposal	7	130	0
Surplus on revaluation of investment properties	11	1,260	230
Surplus on revaluation of commercial properties	11	0	12
Operating Surplus (Loss)	7	2,141	5,153
Interest payable and similar charges	15	(702)	(1,080)
Profit (Loss) on ordinary activities before taxation		1,439	4,073
Tax on surplus/(Loss) on ordinary activities	9	(494)	(453)
Profit (Loss) on ordinary activities after taxation		945	3,620
Profit (Loss) Loss for the financial year	SOCIE	945	3,620
Unrealised gains on revaluation of social housing properties	SOCIE	1,628	2,322
Total comprehensive income for the year		2,573	5,942

5.3.4 Concerns have been raised about repeated late charges being received from the Council that should have been recharged earlier in the year. This is primarily on refurbishments, which is a high area of expenditure and therefore important to monitor. This has an impact on providing accurate forecasts to the board during the year. In addition clarity on the cost and standard of refurbishments, as well as the approval process, requires further attention. To this end, the Council's internal audit team will be asked to carry out a review of company financial controls.

6.0 Update on Operational Performance

6.1 Table 2 below gives a summary of current operational performance.

Table 2 – Key Performance Indicators

Indicator	Target	Performance at November 2022	Performance at June 2023
Rent collection	98.5%	99.77%	105.46%
Minor voids	35 days	157 days	88 days
Major voids	72 days	193 days	194 days
Emergency repairs (24 hours)	100%	99%	100%
Urgent repairs (7 days)	95%	79%	100%
Routine repairs (28 days)	95%	74%	69%
Landlord gas safety record	100%	100%	100%

6.1 Rent Collection

6.1.1 The year-to-date rent collection figure is currently above the 98.5% target at 105.46%. In order to ensure continued good performance in rent collection, a dedicated Housing Companies Operational Manager was appointed in June 2023. It is hoped that a renewed focus on early intervention will reduce rent arrears and increase tenancy sustainment. Despite good performance, the ongoing cost of living crisis has the potential to reduce affordability for tenants and negatively impact rent collection in the future.

6.2 Voids Performance

6.2.1 High void times continue to be the major operational issue for FWH, with both minor and major void times out of target. This is an issue facing the whole of BHM. In order to address this, BHM introduced a Voids Hit Squad in July 2023, comprising of three officers and one Manager. The purpose of the team is to casework and 'own' each void as it comes through from end to end. Each void will have an officer attached to it who will track and monitor it to ensure that delays are prevented, and that major and minor void turnaround times are bought back within target. In addition, work is being carried out to identify and clear any historic or incorrectly logged voids.

6.3 Repairs

6.3.1 In the year to date, 100% of all emergency repairs have been responded to within 24 hours. All urgent repairs have been completed within 7 days, which is above the target of 95% and 29 out of 42 routine repairs were completed, which falls below the target of 95%.

6.4 Gas Safety

6.4.1 The Landlord gas safety record is on target at 100%. All properties have a valid gas safety certificate.

7.0 Risk Update

7.1 The full company risk register is included in Appendix 2. The main risks FWH currently faces are:

- FWH lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
- 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.
- 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.

7.2 The Company's risk register is reviewed quarterly. Throughout the risk register business plans assumptions and mitigations are updated. The scoring in the risk register is as of the last review at August 2023, and is due to be reviewed again for the next Board meeting in October 2023.

8.0 Update on the 2023/24 FWH Business Plan

8.1 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. A summary of business plan performance against each objective in the year to date is below.

8.2 *Increasing the supply of affordable housing in the borough*

8.3 A Strategy session with consultants Red Loft was held in May 2023 to review the market for new build and block acquisition opportunities. The Board agreed that FWH should explore s106 and bulk purchase opportunities where appropriate as well as re-entering the street property market.

8.4 *Running a viable business*

8.5 In June 2023 a Housing Companies Operational Manager was appointed, who will work with FWH Officers to undertake project work in order to reduce rent arrears across the portfolio.

8.6 The Voids Hit Squad has now been introduced by BHM in an effort to improve void processes and performance times. An analysis of their performance will be carried out in December 2023.

8.7 A company Value for Money Strategy will be presented at the September Board, outlining actions to improve FWH's understanding of current costs and performance, identify actions to improve performance and value for money in key areas of focus, and ultimately improve the company's ability to meet its business plan objectives.

- 8.8 *Delivering safe and sustainable homes*
- 8.9 Health and safety compliance is overseen through both the short-term monitoring tracker and the implementation of True Compliance, which is now live. Initial reports are expected imminently.
- 8.10 Stock condition and energy surveys have been carried out and the final outcomes are pending. Once received, reports will be run to review the energy performance and decarbonisation potential across the stock to inform long-term asset management planning.
- 8.11 A report on disrepair was presented to the July Board meeting. This demonstrated how BHM is managing disrepair cases and proactively managing damp & mould on behalf of FWH, and summarise live cases.
- 8.12 *Providing a consistently good housing service*
- 8.13 New tenant satisfaction measures have now been implemented and initial findings were presented to Board in July 2023. FWH will review initial results from these surveys as well as transactional feedback from its tenants to identify and carry out any necessary actions to improve tenant satisfaction. In addition to this, in order to enhance complaints oversight and monitoring improvement work to the complaints system is being scoped by consultants.

9.0 Update on Governance

- 9.1 Alongside its monthly internal Board meetings and twice-yearly meetings with the Council as Guarantor, FWH has reported every six months since its inception to the Audit and Standards Advisory Committee (ASAC) on risks, operational & financial performance, and progress in implementing the company's business plan. Following a review of the ASAC's terms of reference, it has been agreed that future reports to the ASAC will be from the Guarantor setting out how assurance to ASAC that its governance arrangements over i4B/FWH remain robust. The next report to the business plan is also approved each year by Cabinet.
- 9.2 On an annual basis, FWH also reviews its compliance with the economic standards set out by the Regulator of Social Housing, in the areas of value for money, rent, governance and financial viability. Actions implemented following the 2022-23 review include the introduction of a Board self-review and appraisal of the chair. The Board also agreed to sign up to the National Housing Federation Code of Governance in June 2023.
- 9.3 FWH also uses the Council's Internal Audit service to carry out audits on areas where it is seeking additional assurance. Recent audits have focused on governance arrangements between the Council and companies, and health and safety compliance.
- 9.4 Since the last report to the Guarantor in January 2023, Phil Porter has stepped down from the FWH Board following his departure from the Council. Melanie Smith, Director of Public Health, has joined the Board.