



First Wave Housing Limited Guarantor Meeting

8 February 2024

Update on FWH Performance and Business Plan

No. of Appendices	1 – FWH Risk Register
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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) and presents a summary of its draft Business Plan for 2024/25.

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 2024/25 FWH Business Plan.

2.3 The Guarantor provides feedback on the Business Plan proposals.

3.0 Key Points

3.1 Operational performance is generally stable. Void times have improved as a result of a Council-wide improvement project although legacy cases continue to impact overall performance for FWH.

3.2 FWH's forecast operating surplus for 2023/24 is £1.62m, showing a £180k decrease from the original position and below the £1.80m budget. Variances are set out in Section 5.

3.3 FWH's draft 2024/25 business plan priorities are set out within the framework of the Company's medium-to long-term objectives. These are:

- Providing a consistently good housing service;
- Delivering safe and sustainable homes;
- Running a viable business; and
- Increasing the supply of affordable housing in the borough;

4.0 Update on Purchasing

4.1 First Wave Housing and i4B have a common acquisition and 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 The Council has agreed to the acquisition of a 294-unit development at Fulton Road in Wembley Park, currently under construction. As part of this, the possibility of leasing a number of these units to FWH is being explored; this is likely to be 118 units to be let at London Living Rents.
- 4.3 Once arrangements have been finalised with the GLA and developer, the company will look to agree heads of terms and enter into a lease agreement with the Council for the units if an agreeable proposal for both the Council and Company can be identified and agreed.
- 4.4 The Company will hold discussions with the Guarantor as necessary when opportunities arise.

5.0 Update on Financial Performance

- 5.1 The financial position is set out in Table 1 below. The forecast operating surplus £1.62m against a full year budget of £1.80m, this is £180k lower than original position.

<u>FWH - Forecast 2023/24</u>	Budget 23/24	Forecast 23/24	Variance	
	£	£	£	%
Rents				
Gross Rental	3,549	3,509	(40)	-1%
Void rent loss	(177)	(142)	35	-20%
Rent Turnover	3,372	3,367	(5)	0%
Operating Costs				
Management Fee SLA	244	244	(0)	0%
Corporate SLA	222	222	(0)	0%
Audit Fees and Consultants	41	75	(34)	-83%
Provision for Doubtful Debts	135	140	(5)	-4%
Leasehold Service Charges	283	369	(86)	-30%
Insurance	31	31	0	0%
Property Maintenance Costs	491	491	0	0%
Utilities	25	25	0	0%
Supplies and Services	96	146	(50)	-52%
Total Costs Excluding Depreciation	1,568	1,744	(175)	-11%
Operating Profit / (loss)	1,804	1,624	(180)	-10%

- 5.2 Forecast on Rent Turnover is largely in line with budget at £5k variance.
- 5.3 Total expenditure forecast (excluding depreciation charges) is higher than budget by £175k. This is mainly due to unbudgeted expenditure such as compensation payments for disrepair cases as well as few cases of prior year payments.
- 5.4 Service charge spend to December is over budget by £86k. Upon investigation, some of the adverse variance is due to prior year invoices. The

adverse variance is also reflected in the forecast. The prior year charges are from third party managing agents, who legally have an 18-month window to invoice and still have their invoices paid. Adequate process to capture such un-invoiced charges have to be put in place by the company to ensure such charges are accrued for in the year they fall due.

- 5.5 The full year contract for third party managing agents is reviewed to ensure full year costs are captured in the year the costs are incurred; this exercise will be carried out across all expense lines for the year.
- 5.6 Forecast overspend in 'Supplies and Services' is as a result of compensation costs which were not provided in the budget. This is the same with consultancy costs where additional provision is made for services received in the year that were not in the budget.
- 5.7 Going forward, the different components of compensation costs (legal costs, repair costs and compensation to residents) are reported separately to understand the true costs relating to damp and mould and other disrepair cases.

6.0 Update on Operational Performance

- 6.1 FWH has not purchased any new properties; therefore, performance is based solely on housing management. Table 2 below gives a summary of operational performance at January 2024.

Table 2 – Key Performance Indicators

Indicator	Target	Performance at June 2023	Performance at January 2024
Rent collection	98.5%	105.46%	99.83%
Minor voids	35 days	88 days	115 days
Major voids	72 days	194 days	162 days
Emergency repairs (24 hours)	100%	100%	100%
Urgent repairs (7 days)	95%	100%	99%
Routine repairs (28 days)	95%	69%	78%
Landlord gas safety record	100%	100%	100%

6.2 Rent Collection

- 6.2.1 The year-to-date rent collection figure is strong and remains above the 98.5% target at 99.83%. However, performance has slightly decreased from June 2023 due to the ongoing cost of living crisis which is expected to continue to reduce affordability for tenants and potentially negatively impact rent collection.
- 6.2.2 To address this, Brent Housing Service have reviewed the sign-up, tenancy sustainment, rent collection and arrears management processes and have evaluated historic highest arrears cases to assess ongoing suitability. Subsequently, the sign-up process has now been revised and is in a pilot phase. Ongoing improvements will be made to rent collection and arrears

management, with the aim of providing a more comprehensive service for 2024/25.

6.3 Voids Performance

6.3.1 Despite major and minor void times remaining out of target, there have been recent signs of improvement following Brent Housing Service’s temporary introduction of a Voids Hit Squad. The team comprises three officers and a manager overseeing the end-to-end voids and lettings process. They are responsible for ensuring that delays are prevented, and void turnaround times are brought back within target. Performance is expected to remain outside of target until legacy cases, which are currently impacting the overall average, have been cleared. Legacy voids include: 134A Church Road, which has been void for 345 days and requires significant roofing work for which a pavement licence has recently been obtained; and 32C Sellons Avenue, which has experienced a prolonged baiting programme but is due to be let by 12/02/2024. Further work is being carried out to report on these legacy voids separately.

6.3.2 Moving forward, the voids process will be overseen by the Operational Manager. The Board will continue to closely track this progress during 2024/25.

6.4 Repairs

6.4.1 In the year to date, 100% of all emergency repairs have been responded to within 24 hours. The number of urgent repairs completed within 7 days is currently 99%, which is above the target of 95%. The percentage of routine repairs completed within 28 days is currently below target at 76%. However, there is an upward trend in performance compared to the same period last year, where performance was 73.5%.

6.5 Compliance

6.5.1 Table 3 provides an update on health & safety compliance. Aside from a number of outstanding electrical safety certificates, FWH has achieved full compliance in the relevant areas. On EICRs, the legal process to gain access continues to be followed for each outstanding certificate; however, it is not possible to force entry to properties that refuse access, as is the case with gas certificates.

Table 3 – Compliance Scorecard

Compliance Area	Certification	No. of Applicable Properties/ Blocks	No. of Compliant Properties/ Blocks	Compliance Rate
Electrical Safety (Property)	EICR	216	*188	92.20%
Gas Safety (Property)	LGSR	195	*195	100%
Asbestos (Block)	Asbestos survey	1	1	100%
Legionella (Block)	Legionella risk assessment	2	2	100%
Electrical Safety (Block)	Communal EICR	3	3	100%

Lifts (Block)	Inspection report	1	1	100%
Fire Safety (Block)	FRA	2	2	100%

**Data does not include void properties*

7.0 Risk Update

7.1 The full company risk register is included in Appendix 1. The main risks FWH currently faces are:

- 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.
- FWH's policies, knowledge and governance arrangements are not sufficiently effective to monitor regulatory and legal standards on health and safety compliance.
- Tenant non-payment of rent increases due to unaffordability of rent.
- High Capital Programme costs, including future climate change expenditure, undermine the viability of the business plan.
- Greater uncertainty in the external operating environment brings greater risk to FWH's financial modelling.

7.2 The Company's risk register is reviewed quarterly. Throughout the risk register, business plan assumptions, mitigations and actions are updated. Mitigating measures are in place to help to minimise the impact and likelihood of all risks. A wider review of the risk register, including the overall format as well as detailed risk wording and scoring, is planned for the coming months. A copy of the full Company risk register has been included in Appendix 1.

7.3 Mitigating Measures

7.3.1 In response to an audit on health and safety compliance FWH carried out a full review into compliance at its dwellings and blocks and produced a monitoring tracker that tracks all compliance elements. Compliance updates are reported to the Board each month.

7.3.2 Alongside this, as a longer-term solution, Brent Housing Service has procured True Compliance. All i4B properties have been successfully loaded onto the True Compliance system and work to get the system fully set up for all compliance areas is progressing.

7.3.3 The introduction of a Nominations Panel, who carry out affordability assessments on all applicants put forward to FWH from Housing Needs has improved oversight into the affordability and suitability of properties and enhanced tenancy sustainment.

7.3.4 A report on energy performance, requirements and the decarbonisation potential of the portfolio has been received from the Asset Management team and is being factored into the financial business plan. Initial analysis suggests that the financial risk to the companies is not as high as previously anticipated.

7.3.5 All of the above-mentioned measures, have had a positive impact and led to the reduction of three risk likelihood scores at the last review, in January.

8.0 Update on the Content and Proposals of the draft 2024/25 FWH Business Plan

8.1 Table 3 shows the timetable for the FWH Board to approve the 2024/25 Business Plan. The FWH Board met and discussed the Business Plan on 25th January 2024. A revised version will now be produced for final approval by the Board.

Proposed Paper	Paper Deadline	Board Meeting
Business Plan Final Draft and Board Sign Off	19 January 2024	25 January 2024

8.2 Table 4 shows the timetable for the Guarantor to approve the 2024/25 Business Plan. The business plan will be presented to the Guarantor at the following meetings:

Meeting	Paper Deadline	Meeting Date
FWH Guarantor Meeting	5 February 2024	8 February 2024
Council Management Team – Final Draft	9 February 2024	14 February 2024
PCG	16 February 2024	21 February 2024
Cabinet – Final Approval	4 March 2024	11 March 2024

8.3 The 2024/25 FWH Business Plan outlines the Company's strategic priorities for the year. Priorities for 2024/25 are set out within the framework of the medium to long-term objectives of Brent's Housing Companies. A summary of business plan proposals for each objective is below.

8.4 *Providing a consistently good housing service*

8.4.1 FWH will focus on reviewing initial responses to the Regulator's new tenant satisfaction measures and improve its oversight of complaint handling. Through the SLA with Brent Housing Service, the newly implemented Operational Team will continue to focus on rental affordability and sustainment for FWH tenants.

8.5 *Delivering safe and sustainable homes*

8.5.1 FWH will continue to further embed improved practices in the areas of compliance, disrepair and asset management and energy efficiency. This entails overseeing the successful implementation of True Compliance, ensuring all requirements of the Building Safety Act are met and carrying out further work on modelling and planning for future property management and decarbonisation works.

8.6 *Running a viable business*

8.6.1 In 2024/25, FWH will focus on implementing its value for money strategy, agreed by the Board in September 2023, to reduce costs and improve financial performance, with a particular focus on voids performance and financial controls

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

8.7.1 As outlined in the update on purchasing, FWH will continue to explore viable development opportunities, and progress these where appropriate.

9.0 **Update on Governance**

9.1 Since the last report to the Guarantor in August 2023, Martin Smith has stepped down as Chair of FWH. Andrew Hudson was appointed as Chair and took up post in January 2024.