

	<p style="text-align: center;"><b>First Wave Housing Ltd</b>  <b>Guarantor Meeting</b>  12 September 2024</p>
	<p style="text-align: center;">Report from the Chair of  First Wave Housing Ltd</p>
<p><b>Update on FWH Performance</b></p>	
<p><b>No. of Appendices</b></p>	<p>1 – 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 governance.

2.2 The Guarantor notes the update on the 2024/25 FWH Business Plan.

## 3.0 Key Points

3.1 Cabinet agreed FWH's 2024/25 business plan in March 2024. Priorities for the year are set out with the framework of the strategic objectives of the Housing Companies (FWH and i4B Holdings Ltd (i4B)):

- 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

3.2 In the 2023/24 financial year, the company made an operational profit of £0.968m compared to £0.543m in 2022/23.

3.3 Despite continuing challenges in areas such as voids, housing management performance remains reasonably strong and is improving.

3.4 This report provides an update on progress of the 2024/25 business plan priorities so far, including operational & financial performance, acquisitions and risks.

#### **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. Since the last Guarantor meeting, the principles of the lease model have been agreed and detailed models are being worked up by the respective finance teams for review and approval by the FWH Board and Council.

4.3 The Company will hold discussions with the Guarantor as necessary when further opportunities arise.

#### **5.0 Financial Performance**

5.1 In the 2023/24 financial year, the company made a profit, (excluding depreciation, revaluations and tax), of £0.968m compared to £0.543m in 2022/23.

##### *5.2 Summary Financial Outturn*

5.2.1 The financial outturn for the year is below. Rent turnover for the year is £3.335m, this is an adverse variance of £37k against budget. This is due to a number of variances between business plan weekly charges and actual charges in the Northgate system for void properties; these are timing differences between setting the budget and letting of the properties.

Table 1 - Financial Outturn 2023/24

FWH 2023/24 Outturn	Budget 23/24	March 24 Outturn	Variance to budget
	£,000	£,000	£,000
Income	3,372	3,335	(37)
Expenditure	(1,568)	(1,673)	(105)
Financing	(694)	(694)	0
<b>Profit (Loss) before tax, revaluations and depreciation</b>	<b>1,110</b>	<b>968</b>	<b>(142)</b>

### 5.3 *Income and Expenditure Statement*

5.3.1 Profit excluding depreciation, revaluations and tax is £0.968m compared to £0.543m in 2022/23.

5.3.2 Turnover for 2023/24 is £3.335m, compared to £3.292m in 2022/23, an increase of £43k.

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

- Favourable variance in Provision for doubtful debts of £238k. This was because of a better performance in collection in the year.
- Property maintenance costs for the year were £10k higher than the original budget. This was due to an increase in Q4 property charges.
- Service Level Agreements (SLA) - expenditure was higher than budget by £101k, which was due to an overspend of £37k on the Corporate SLA. Management Fees SLA were overspent by £64k, due to additional variable costs of the Housing Management Call Centre as well as a portion of the Operational Manager's costs.
- Leasehold Service Charges Service Level Agreement expenditure for the year was higher than budget by £167k. Some of the adverse variance was due to prior year invoices from third party managing agents, who legally have an 18-month window to invoice and still have their invoices paid.
- There was an overall revaluation loss of £150k because of a revaluation loss on housing properties held for investment of £870k and an increase on social housing properties of £720k due to decreases and increases in the property market.

## **Statement of comprehensive income for the year ended 31 March 2024**

	<b>Note</b>	<b>2023/24</b>	<b>2022/23</b>
		<b>£'000</b>	<b>£'000</b>
Turnover	5	3,335	3,292
Operating costs	6,7,8	(2,141)	(2,542)
Reversal of Revaluation loss on housing assets		0	(1)
Surplus on asset disposal	7	-	130
Surplus on revaluation of investment properties	11	(870)	1,260
Surplus on revaluation of commercial properties	11	0	0
<b>Operating Surplus (Loss)</b>	<b>7</b>	<b>324</b>	<b>2,141</b>
Interest payable and similar charges	15	(694)	(702)
<b>Profit (Loss) on ordinary activities before taxation</b>		<b>(370)</b>	<b>1,440</b>
Tax on surplus on ordinary activities	9	(200)	(494)
<b>Profit on ordinary activities after taxation</b>		<b>(570)</b>	<b>946</b>
<b>Profit (Loss) Loss for the financial year</b>	<i>SOCIE</i>	<b>(570)</b>	<b>946</b>
Unrealised gain / (loss) on revaluation of social housing properties	<i>SOCIE</i>	1,183	1,498
<b>Total comprehensive income for the year</b>		<b>613</b>	<b>2,443</b>

## 5.4 2024-25 Financial Update

5.4.1 The current Year to date financial forecast as at 31<sup>st</sup> July 2024 for FWH is as follows:

<b><u>FWH 24/25</u> <u>July Forecast</u></b>	<b>July 24 Actual (£'000)</b>	<b>Budget t YTD (£'000)</b>	<b>Budget Full Year (£'000)</b>	<b>Forecast Full Year (£'000)</b>	<b>Variance Full Year (£'000)</b>
Income	1,173	1,174	3,430	3,430	0
Expenditure	(502)	(614)	(2,667)	(2,667)	0
Financing	0	0	(685)	(685)	0
<b>Profit (Loss) before tax, revaluations and depreciation</b>	<b>671</b>	<b>560</b>	<b>78</b>	<b>78</b>	<b>0</b>

### *Income*

5.4.2 Gross Rental Income is understated by £3k, due to new tenancy rental income charged higher in the 2024/25 Budget.

### *Void Rent Loss*

5.4.3 Void loss currently showing favourable surplus of £2k, due to average void loss at 3% over the first 4 months. The budget for the year has assumed a void loss of 4%. However, the commercial unit owned by FWH currently remains void.

### *Operating Costs*

5.4.4 Overall Operating Costs are showing a favourable surplus of £112k, however, when broken down by individual costs:

5.4.5 Leasehold Service Charges are showing a surplus; this is due to the timing of billing, as this can be variable throughout the year with an increase in billing near to year end.

5.4.6 Property Maintenance Costs are also showing a surplus, for the same reasons cited for the above. However compensation costs as of July are over budget, which could contribute to a possible overspend on the allocated budget for the year.

5.4.7 FWH accounts as at the 31<sup>st</sup> July 2024 show a Profit before tax of £111k. However, this is only for expenditure captured to July 2024. Billing for expenditure is variable throughout the year with billing picking up near to year end, which aligning within budget should enable us to achieve the budgeted profit of £77k.

5.4.8 The FWH 30 Year business plan approved earlier this year projected an overall profit before tax for the last year in the model (2053/54) of £1.022m.

## 6.0 Operational Performance

6.1 FWH's housing management services are carried out by Brent Council's Housing Service via a Service Level Agreement. The Board of FWH have a responsibility to monitor and drive good performance and do so on an ongoing basis including via monthly performance reports. Despite continuing challenges in areas such as voids, housing management performance remains reasonably strong and is improving. The company is committed to continuing to move in the right direction despite a challenging operating environment; this will include improving tenant satisfaction to identify the most important areas of focus. Table 2 provides an update on current operational performance.

Table 2 – FWH Key Performance Indicators

Indicator	Target	FWH	Council
Overall Customer Satisfaction (TSM data year end 2023/34)	N/A	50%	52%
Rent Collection	98.5%	109.02%	98.01%
Major void re-let times	72 days	225 days	255 days
Minor void re-let times	35 days	299 days	170 days
Properties with a valid gas safety certificate	100%	100% 199/199 properties	100%
Blocks with a valid Fire Risk Assessment	100%	100% 4/4 blocks	99.8%
Properties with a valid electrical safety certificate	100%	87.7% 185/211 properties	93.6%
Emergency repairs completed within 24 hours	100%	100%	Data unavailable
Urgent repairs completed within 7 days	95%	95%	Data unavailable
Routine repairs completed within 28 days	95%	83%	Data unavailable

## 6.2 *Customer Satisfaction*

- 6.2.1 Overall customer satisfaction levels are at 50%, which falls well short of FWH's expectations. Council tenants' satisfaction levels are slightly higher at 52%. Improving tenant satisfaction is a priority, with a focus on increasing the amount of contact with tenants to ensure that any issues are promptly understood and addressed.
- 6.2.2 The Regulator of Social Housing has introduced new Consumer Standards in relation to tenant satisfaction from April 2024. As a Registered Provider FWH is bound by these as is Brent Council more widely. FWH is therefore working with Council colleagues to identify gaps in compliance and work up improvement plans to address these and improve tenant satisfaction, and ultimately ensure full compliance with regulations.
- 6.2.3 The Board compared performance with i4B Holdings and Brent Housing generally, and has asked for benchmarking information with other London councils. The Board will be returning to this issue in October.

## 6.3 *Rent Collection*

- 6.3.1 The year-to-date rent collection figure is strong and remains above the 98.5% target at 99.83%.

## 6.4 *Voids*

- 6.4.1 Voids remain a significant challenge, and the Board will be holding a deep-dive discussion on voids performance in the early autumn.
- 6.4.2 Despite major and minor void times remaining out of target, there have been improvements in Q1 of 2024-25, though some individual cases continue to impact overall performance figures, especially as sample sizes are small.
- 6.4.3 Challenges such as pest control and delays from third-party freeholders in completing communal repairs are particularly impactful. These external factors often extend the time it takes to return properties to a lettable standard. To mitigate these delays, we have strengthened our tracking and monitoring processes, ensuring that voids are closely managed through regular meetings and detailed performance reports.
- 6.4.4 As part of initiatives to improve voids performance, FWH engaged external consultants to review the accuracy of the specification and charging of company voids, which has led to process improvements being made.
- 6.4.5 Table 3 shows the current number of void and occupied properties. Currently, 6 of the company's properties are void, which is fewer than half the figure at the last report in February 2024.

Table 3 – Refurbishment and Lettings

Refurbishment & Lettings	Performance at February 2024	Performance at September 2024
Properties Let	Settled Homes: 155 Market: 43 Social: 5 <b>Total: 203</b>	Settled Homes: 161 Market: 44 Social: 5 <b>Total: 210</b>
Properties void	Settled Homes: 11 Market: 2 Social: 0 <b>Total: 13</b>	Settled Homes: 5 Market: 1 Social: 0 <b>Total: 6</b>

## 6.5 Repairs

6.5.1 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 94%, which is just below the target of 95%. The percentage of routine repairs completed within 28 days is currently below target at 83%, which is a slight improvement compared to the same period last year, where performance was 81%.

## 6.6 Health & Safety Compliance

6.6.1 Aside from a number of outstanding electrical safety certificates, FWH have achieved full compliance in all relevant areas. On EICRs, the problem in most cases is gaining access to the property: the legal process to gain access continues to be followed for each outstanding certificate. Unlike for gas certificates, it is not possible to force entry to properties that refuse access.

## 6.7 Wider Support for Residents

6.7.1 The board has taken an interest in the wider support to tenants and in the role the companies play. They will be receiving a report shortly on the employment support from BEAM, and considering other possible support, in liaison with other council services.

## 7.0 Update on Risk

7.1 The FWH risk register outlines the main risks the company faces; these are detailed below:

- Poor rent collection performance due to unaffordability of rent for tenants
- High void turnaround times, costs and rent loss lead to financial losses for FWH
- High capital programme costs, including stock condition and energy efficiency expenditure, adversely affect the company business plan

7.2 The Company's risk register is reviewed on a quarterly basis. 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, and the format of the register has been updated to make the connection between actions and anticipated risk scoring clearer. A recent risk scanning exercise carried out at the July Board meeting has highlighted areas for greater focus in future iterations of the risk register from October.

7.3 As a result of mitigating actions, a number of risk scores were reduced at the last Board review in July 2024.

## **8.0 Progress of the 2024/25 Business Plan**

8.1 An update on the progress of key tasks within the 2024/25 FWH business plan is provided for each of the company's long-term strategic objectives below.

### *8.2 Providing a consistently good housing service*

8.2.1 This objective relates to improving tenant satisfaction, ensuring tenants are able to afford their rent and sustain their tenancies, and overall providing an effective and consistent housing service.

8.2.2 During 2023/24, new tenant satisfaction measures were implemented and some transactional feedback from tenants was received. While the initial results were in line with Council benchmarks, they fell short of the levels we would have liked to achieve. The companies are actively working to improve these outcomes with regular monitoring and collaborative work with the Quality Assurance and Standards Manager to implement an improvement plan that focuses on making tangible changes to enhance tenant experiences. One of the key initiatives is the development of more robust complaints reporting to better identify recurring themes and areas for improvement, with the company-specific reporting set to begin in October 2024.

8.2.3 The Housing Companies Tenant Services Managers are also increasing their contact with tenants through more frequent phone communications, as well as conducting home and estate visits. These efforts will build stronger relationships with tenants and ensure that any concerns are promptly addressed.

### *8.3 Delivering safe and sustainable homes*

8.3.1 This objective involves ensuring that homes are of a good quality, safe, legally compliant, and environmentally sustainable.

8.3.2 During 2022-23, FWH and i4B commissioned an audit of their health and safety compliance arrangements, managed primarily through its Service Level Agreement with Brent Housing Service. The audit identified potential risks to health and safety compliance including a lack of detailed oversight. In response, Brent's Housing Management Service (HMS) have adopted the True Compliance system for long-term monitoring and reporting of compliance across all areas, and this system has now been fully implemented and is used

for performance reporting to Board. Health and safety compliance across the portfolios remains strong.

8.3.3 FWH is focussed on ensuring that its housing stock not only meets current safety standards but also aligns with future sustainability goals. Addressing disrepair is a key priority, and we have taken proactive measures to identify and rectify potential issues early on. This approach is critical in safeguarding the health and wellbeing of our tenants.

8.3.4 Furthermore, the companies are developing an asset management strategy. A significant focus of this strategy is on improving the energy performance of our housing stock, with the goal of bringing all properties up to a minimum EPC C rating, to achieve the government's 2030 target. This initiative is essential for both maintaining the value and quality of assets and supporting broader sustainability objectives and is expected to bring health and financial benefits to tenants.

#### 8.4 *Running a viable business*

8.4.1 This objective relates to improving i4B's operational and financial performance in order to remain financially viable and thus continue to bring benefits to the Council.

8.4.2 The key operational issue for FWH and i4B is high void times. Efforts to manage and reduce voids have faced several challenges. Delays caused by third-party freeholders in completing necessary repairs have further impacted our turnaround times for voids. As set out in the section on operational performance, a number of improvement actions and projects are in place, which will be brought together in a deep-dive session led by the Board to identify further opportunities for reducing void times and rent loss.

8.4.3 An internal audit of the financial controls and billing arrangements for the Companies was carried out in May 2024. Several areas for improvement were identified and recommendations have been implemented:

- Lack of oversight of legal disrepair claims – there was inadequate communication regarding disrepair claims, leading to situations where the companies were unaware of claims until they are resolved. To improve oversight, officers working for the companies have worked with the Council's Legal section to introduce a monthly performance report in addition to the quarterly report that is already in place. This new report provides a comprehensive overview of open and recently closed cases, including progress and costs.
- Oversight and inspection of void works – following the audit, direct billing between the companies and Wates has been introduced to improve financial monitoring and forecasting. Additionally, an action log has been introduced into the bi-weekly FWH/i4B voids meetings, detailing owners and target resolution dates for any follow up actions set.

- Council tax billing processes – following improvements recommended in the audit the companies have worked with the Council Tax team to develop a clear and effective process for reviewing and paying council tax liabilities. This process has been formalised in a procedure document to ensure consistency and clarity.
- Lack of policies and procedures – there was previously no comprehensive documentation outlining the billing and management processes for legal disrepair, council tax, or void repair work outside of the SLA between the Council and the companies. The companies' management team has drafted and circulated process notes that clearly outline the roles, responsibilities, and arrangements for managing and monitoring new voids, council tax, and disrepair cases.

8.4.3 During 2023/24, the Board approved a value for money strategy for FWH and i4B, with focus on improving performance levels, efficiencies and outcomes for tenants and other stakeholders in the following key areas:

- Voids performance
- Income recovery and arrears management
- Asset management and energy efficiency
- Housing management costs
- Tax efficiency
- Value for money for tenants

8.4.5 Improvement plans and actions in these areas are closely monitored by the Board through dedicated quarterly reports.

## 8.5 *Increasing the supply of affordable housing in the borough*

8.5.1 FWH is working with the Council to progress a leasing mechanism for 118 units at Fulton Road; please see Section 4 for further detail on this.

8.5.2 More generally, both companies are of course very interested in new opportunities which may come from the new Westminster government, and stand ready to work with the Council on maximising the benefit for Brent.

## 9.0 **Update on Governance**

9.1 Alongside its monthly internal Board meetings and twice-yearly meetings with the Council as Guarantor, FWH reports every six months to the Audit and Standards Advisory Committee (ASAC) on risks, operational & financial performance, and progress in implementing the company's business plan.

9.2 On 4 September 2024, FWH also presented a report to the Resources and Public Realm Scrutiny Committee on how effective it and i4B Holdings Ltd have been as investment decisions for the Council in achieving its key strategic priorities. Cabinet representatives noted that the housing companies had performed effectively in delivering for the Council, particularly in the number of families housed and the associated cost avoidance of expensive Temporary

Accommodation, and the Committee asked the companies to ensure they were doing as much as possible to increase housing supply.

- 9.3 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. FWH has commissioned an updated market rental assessment to ensure full compliance with the Rent Standard. The company is also working closely with Council colleagues on assessing against and responding to the Regulator's newly introduced consumer standards.
- 9.4 FWH also uses the Council's Internal Audit service to carry out audits on areas where it is seeking additional assurance. The most recent audit focused on financial billing arrangements in the areas of void refurbishments, legal disrepair cases and Council Tax, with process improvement recommendations now implemented.