



Cabinet
11 February 2019

Report from the Chief Executive

First Wave Housing Ltd 2019/20 Business Plan

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt Appendix 1 of the Business Plan is not for publication due to Paragraph 3, of Part 1, Schedule 12A of 1972 Local Government Act.
No. of Appendices:	One Appendix 1: FWH 2019/20 Company Business Plan
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Head of Transformation Sadie.East@brent.gov.uk Tel: 020 8937 1507

1.0 Purpose of the Report

1.1 This report presents the First Wave Housing Ltd (FWH) 2019/20 Business Plan to Cabinet for Shareholder approval.

2.0 Recommendations

2.1 Cabinet approves the Business Plan as set out in appendix 1.

2.2 Cabinet agrees to the proposal for FWH to have the flexibility to consider the product and rent level for each portfolio property on its re-let.

2.3 Cabinet agrees to the proposal for the Council's asset management team to create a maintenance plan detailing the investment required to repair its stock.

2.4 Cabinet approve delegation to the Chief Finance Officer to agree terms for the disposal of the four properties as outlined in paragraph 3.9

3.0 The 2019/20 Business Plan

- 3.1 The draft Business Plan can be seen in appendix 1.
- 3.2 The FWH Business Plan outlines a number of new opportunities for the Company. These include:

Tenure and rent rationalisation of FWH portfolio

- 3.3 The FWH portfolio has four main product types which are:
- Social Rent – These tenancies are Assured Shorthold Tenancy Agreements with rents protected at social rent which are below 50% of market rent. FWH has 89 of these properties from one bed to four bed and they include five new built houses.
 - Settled Homes – These properties were purchased with grant providing the tenants with protected rights including the right to buy their home. The rents on these properties are above Local Housing Allowance (LHA) rates for one and two bed units and below market rates for three bed properties. FWH has 170 Settled Homes.
 - Intermediate rents – FWH has 25 Intermediate rent properties. Tenants have assured shorthold tenancies. Current rent levels are above LHA levels for one and two bed properties. However three bedroom rents are £307 pw and the LHA is £365.
 - Market rent - FWH has 45 one bedroom market rent properties. These properties are below LHA levels. The weekly rent on these FWH properties averages £259 pw and the LHA for the area is £268.46.
- 3.4 FWH would like to look at rationalising the products within its portfolio to provide distinct products with rent levels set in proportion to the market and LHA levels. It is recommended that rent levels for social rented properties, three bed settled homes and market rented properties are reviewed as each property becomes void and prior to their re-let.
- 3.5 FWH requests the Council provide FWH with the flexibility to consider the product and rent level for each portfolio property on its re-let. In practice this flexibility would mean market rented accommodation would be considered for letting at local housing allowance levels to households through a nomination agreement between the Council and FWH. This will help assist the Council's homelessness reduction agenda. FWH will continue to look for market rent opportunities where the income is sufficient to make a significant benefit to the aims of the Company and the Council.

Asset management and Capital Investment

- 3.6 FWH has delivered 2,700 repairs over the first eighteen months of its life. This is an average of six repairs per property which is considered high for the industry. Three blocks, appear to have greater repair requirements. The properties were built less than ten years ago and already require major works. Works include reroofing, safety equipment reinstallation on the roof tops, lift renewal and weather protection for exposed deck access and stairwells. Due

to the steel construction method of the blocks the scaffolding solutions are expensive as scaffolding must wrap the build as it cannot tie into the building.

- 3.7 These newly built properties require comprehensive works and some works such as lifts and safety equipment will be required in three years and other work such as reroofing is required to reduce day to day repairs and complaints.
- 3.8 Therefore, it is proposed that an investment plan is drawn up by the Council's asset management team to correct the three blocks' physical failings.

The sale of four properties via mutual agreement which are within areas undergoing regeneration.

- 3.9 FWH has been approached to sell four properties in regeneration areas by the London Borough of Brent (three properties), and the London Borough of Ealing (one property). The authorities are hoping to acquire these properties via mutual agreement. FWH requires shareholder approval when it disposes of assets which generate a capital receipt. The Council as shareholder is asked to delegate authority to the Chief Finance Officer to dispose of the properties following consideration of terms negotiated by FWH.
- 3.10 FWH would also require the purchasing authority to resolve the relocation of customers and any compensation.
- 3.11 Following negotiation FWH will request Homes England to permit the grant element of the capital receipt to be available to the Council for affordable housing in the borough.

Working more closely with i4B Holdings Limited

- 3.12 The Shareholder has carried out some initial work which has identified potential benefits of aligning i4B and First Wave Housing. The Company understands that three provisional options have been highlighted by the shareholder:
- The Shareholder, with the Boards, defines the products which suit each company and refine the focus of each company to prevent duplication of products. The Shareholder may wish to support a transfer of assets between the two companies to reflect the product emphasis.
 - The Shareholder supports the merger of the two organisations into one company benefitting from greater economies of scale. The merger would need to take place in such a way as to allow both the receipt of grant and the delivery of a broad range of housing products.
 - The Shareholder supports the merger of the two organisations into a group structure which may be able to retain the distinct identities of the sub companies. This option may also be suitable for non-housing and regeneration vehicles owned by the Council to sit within.
- 3.13 The Council is currently undertaking an analysis of the benefits of the options outlined above in order to inform recommendations for the future structure of i4B and FWH.

3.14 FWH has a SLA with the council to provide corporate and housing management services. The fee schedules are considered annually. The SLA has increased marginally from a year one fee of £367K to a year two, three and four fee of £379K.

4.0 Financial Implications

4.1 Council officers are seeking financial advice to understand the implications of merging i4B and FWH companies before a recommendation on the potential merger is made.

5.0 Legal Implications

5.1 The adoption of the proposed Business Plan is a matter reserved to the Council as the sole shareholder in FWH.

5.2 It will be noted from the Business Plan that Directors are considering opportunities to deliver savings through closer alignment of i4B and FWH, potentially ultimately combining corporate and other services to create efficiencies. Shareholder agreement would be required to any significant corporate changes for both companies.

6.0 Equality Implications

6.1 N/A.

7.0 Consultation with Ward Members and Stakeholders

7.1 N/A.

8.0 Human Resources/Property Implications (if appropriate)

8.1 N/A.

Report sign off:

PETER GADSDON

Director of Performance, Policy, and Partnerships