

	<p style="text-align: center;">Cabinet 13 March 2023</p>
	<p style="text-align: center;">Report from the Chief Executive</p>
<p style="text-align: center;">First Wave Housing Ltd Business Plan 2023/24</p>	

Wards Affected:	All
Key or Non-Key Decision:	Key Decision
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 (attached as Appendix 1 to the main report) and Schedule 2 of the SLA (attached as Appendix 4 of the main report) are exempt as they contain the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)
No. of Appendices:	Four Appendix 1 FWH 2023/24 Company Business Plan (part exempt) Appendix 2 Company Risk Register (forms an appendix to Business Plan) Appendix 3 FWH 2023/24 Key Tasks (forms an appendix to the Business Plan) Appendix 4 FWH 2023/25 SLA (part exempt – forms an appendix to the Business Plan)
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Director of Transformation Sadie.East@brent.gov.uk Tel: 020 8937 1507

1.0 Purpose of the Report

- 1.1 This report provides Cabinet with a final draft of the First Wave Housing Ltd (FWH) 2023/24 Business Plan. Cabinet is asked to approve the Business Plan on behalf of the Guarantor.

2.0 Recommendations

- 2.1 Cabinet approve FWH's 2023/24 Business Plan.
- 2.2 Cabinet approves the content and proposed strategic priorities of FWH's 2023/24 Business Plan.
- 2.3 Cabinet approves the updated financial model contained within the 2023/24 Business Plan.
- 2.4 Cabinet approves the Service Level Agreement for 2023/25 in Appendix 4.
- 2.5 Cabinet delegates authority to the Director of Finance to approve the variation of the Service Level Agreement during 2023/24.

3.0 Background

- 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 is currently drafting its 2023/24 Business Plan.
- 3.3 This report provides a final draft version of FWH's Business Plan for 2023/24. This version was presented to the Company Guarantor on the 11th January 2023, the FWH Board on the 24th January 2023 and CMT on the 16th February 2023. Feedback from the Board and Guarantor as well as CMT has been incorporated into the final draft presented to Cabinet.
- 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 – Key Performance Indicators

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

5.0 Progress in Implementing 2022/23 Business Plan

5.1 In February 2022, the 2022/23 FWH Business Plan was approved. The plan outlined the following as the Company's medium- to long-term objectives:

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

5.2 The following summarises each of the priorities and reports on progress against these.

5.3 Delivering safe and sustainable homes

5.3.1. The transfer of Granville New Homes took place on 4th April 2022. Under this, 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.

5.3.2. During 2022/23, FWH commissioned an audit of its health and safety compliance arrangements, managed primarily through its Service Level Agreement with Brent Housing Management (BHM). Following the audit, a

monitoring tracker has been produced that tracks all compliance elements for all FWH properties. FWH has also initiated increased clienting of the compliance certification process to provide further assurance, and the results of the audit follow-up are due to be presented to the Board in early 2023.

- 5.3.3. BHM also procured the True Compliance system as a longer-term approach to the monitoring and reporting of compliance. True Compliance will allow BHM to manage all areas of compliance on one system including storage of certification, and the first area of compliance, gas safety, will go live in early 2023. FWH will track the implementation of True Compliance during 2023/24, and will continue its increased clienting and monitoring of health and safety compliance until True Compliance is fully embedded and regular reporting to the Board is in place.
- 5.3.4. The decarbonisation of FWH's stock is set to be a major capital expense for the Company. During 2022/23, FWH commissioned a programme of stock condition and energy surveys, which outlined the requirements and estimated costs for bringing FWH properties up to an Energy Performance Certificate rating of B. The results of this work have been received, and FWH now have EPC data for all of its properties. A decarbonisation strategy for the Company will be developed during 2023/24, which will outline works that will be undertaken to improve performance. This may include stock rationalisation in some cases.
- 5.3.5 FWH has also applied to the Social Housing Decarbonisation Fund in a consortium bid alongside the Council, which would award grant funding at a small number of FWH properties for energy efficiency works. The result of this are awaited in the coming months.

5.4 Increasing the supply of affordable housing in the borough

- 5.4.1. FWH is one of several funding and delivery routes the Council has to increase the amount of affordable housing in the borough. FWH remains available as an RP to support the Council's affordable housing aspirations.
- 5.4.2. A Development Strategy has been drafted for both of the Council's housing companies and has been implemented during 2022/23. However, this has been and continues to be impacted by the current economic environment, principally higher global inflation rates driven by COVID supply chain issues and the war in Ukraine and ensuing rises in interest rates.
- 5.4.3. During 2022/23, new build opportunities for FWH have been appraised, but none have been progressed during the year. The focus for 2023/24 will be on bringing forward suitable schemes.

5.5 Running a Viable Business

- 5.5.1. The FWH Business Plan monitors and assures the ongoing financial viability of the Company. The key operational issue for FWH continues to be high void times, and there has been a lack of improvement here during 2022/23. In order

to address this, a void improvement project is being set up, which covers both the housing companies and the Council's Housing Revenue Account, and is chaired by senior management.

5.6 Providing a consistently good housing service

5.6.1. FWH aims to ensure tenant satisfaction and monitor this regularly. During 2022/23, some transactional tenant satisfaction data has been collected. However, no full survey of tenant satisfaction has been carried out as new measures are being piloted and are due to be introduced early 2023/24.

5.6.2. The Regulator of Social Housing has introduced a new suite of tenant satisfaction measures which will be in place from April 2023. BHM are carrying out a pilot of the new surveys, and reporting to the FWH Board will begin from early 2023/24. In addition, FWH will look to improve its oversight of complaints and transactional satisfaction surveys in order to review tenant satisfaction and implement any actions to improve this.

6.0 **2023/24 Business Plan**

6.1 Appendix 1 contains a final draft of the Company's 2023/24 Business Plan. The FWH Board met on the 24th January 2023 to discuss the business plan. Officers have used the feedback provided and developed the Business Plan further. Cabinet is asked to approve the Business Plan.

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 Delivering safe and sustainable homes

6.3.1. This objective involves ensuring that FWH's homes are of a good quality, safe, legally compliant, and environmentally sustainable. In 2023/24, the Company's focus will be on compliance through ensuring the development of necessary policies and the successful implementation of True Compliance. FWH will also seek to respond to the new Building Safety Act, requirements to improve the energy efficiency of its stock, and the ongoing rise in disrepair cases. The 2023/24 strategic priorities that relate to this objective are:

- 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

6.4 Increasing the supply of affordable housing in the borough

6.4.1. As a registered provider (RP), FWH remains available for any opportunities that supports the Council's affordable housing targets. Given its status as an RP FWH is able to act in ways the Council cannot, for example letting properties at market and affordable rates, and accessing certain grants. The 2023/23 strategic priorities that relate to this objective are:

- 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

6.5 Running a Viable Business

6.5.1. This objective relates to improving the operational and financial performance of FWH in order to remain financially viable and thus continue to bring benefits to the Council. The Company's focus for 2023/24 will be on improving void times, as well as implementing its value for money strategy to reduce costs and improve financial performance. The 2023/24 strategic priorities that relate to this objective are:

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

6.6 Providing a consistently good housing service

6.6.1. This objective relates to improving tenant satisfaction. FWH will review initial responses to the Regulator's new tenant satisfaction measures, and will seek to improve its oversight of complaints handling. The 2023/24 strategic priorities for this objective are:

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

7.0 2023/25 Service Level Agreement

7.1 FWH has worked with service area leads to review and update its Service Level Agreement with the Council for the provision of services including operational and financial support, legal and internal audit support, and all housing management services.

7.2 The schedule is contained in Appendix 4. This outlines the services provided to FWH, service standards, and management costs. The SLA will run from 2023/24 to 2024/25, and costs will be reviewed on an annual basis. All costs

and service standards have been agreed between the relevant Council heads of service and FWH.

7.3 Cabinet is asked to approve the updated SLA which has been taken to PCG and Cabinet alongside the Business Plan.

7.4 FWH is carrying out a review into its housing management arrangements, which may lead to a revised Service Level Agreement during 2023/24. Cabinet is asked to delegate authority to the Director of Finance to approve any variation during the year.

8.0 Fulton Road

8.1 The Council is progressing the purchase of 294 properties at Fulton Road, under which 118 London Living Rent Units are planned to be leased to one of the housing companies.

8.2 During the year, the agreed upon company will work with the Council to agree heads of terms and enter into a formal leasing agreement for the 118 units.

9.0 Financial Implications

9.1 The detailed financial implications are set out in the business plan. These include the key assumptions used and the stress testing carried out to test the businesses financial viability should assumptions vary from those forecast.

9.2 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).

9.3 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.

9.4 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.

9.5 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.

10.0 Legal Implications

- 10.1 FWH is a wholly-owned local authority company, controlled by the Council, established in order to support the Council's homelessness agenda, by owning and managing housing stock previously held by Brent Housing Partnership. FWH is a company limited by guarantee.
- 10.2 The adoption of the proposed Business Plan is a matter reserved to the Council as the sole Guarantor in FWH and the intention is to seek Cabinet approval on 13th March 2023. In addition to being a local authority company, FWH is a registered provider subject to regulation by the Social Housing Regulator.
- 10.3 Local Housing Allowance rates (LHA) apply to private rented sector rather than to the social housing sector. FWH needs to ensure that the levels of "eligible rent" charged by FWH do not fall outside the scope of the statutory Rent Standard set by the Social Housing Regulator, for property let from April 2020. This is not necessary if the relevant property is exempt from the Rent Standard.
- 10.4 Wholly-owned local authority companies such as FWH, established and solely owned by a Council Parent, will be regarded as "contracting authorities" in their own right, for the purposes of the Procurement Regulations 2015 ("PCR"). This means that unless relevant PCR exemptions apply any services or works that FWH commissions from another organisation will have to be competitively tendered on the open market, if the total value is above the relevant PCR threshold.
- 10.5 The Building Safety Act 2022 due to be fully implemented by October 2023 has implications for FWH as a Registered Social Housing Provider which include the following:
- the introduction of a 'Building Safety Regulator';
 - a new regulatory regime that applies to the planning, construction and occupation of 'higher-risk buildings';
 - increased governmental powers to regulate construction products, and the introduction of new regulations for the safety of construction products in the UK;
 - protections for leaseholders in respect of the costs of remediating building safety defects in their properties;
 - establishment of a new homes ombudsman scheme and a developers' code of practice, and government powers relating to new homes warranties;
 - provisions relating to the professional competence of architects and provisions to regulate the building control profession.
- 10.6 As a landlord, FWH is under a statutory obligation to carry out repair works in respect of properties it lets out to its assured tenants. Under section 11 of the Landlord and Tenant Act 1985, it has a duty to keep in repair and proper working order the structure and the exterior of the residential properties it owns as well as certain installations for the supply of water, gas and electricity.

- 10.7 The Social Housing Regulation Bill 2022(The Bill) is currently going through Parliament and if passed, the Bill will aim to improve the regulation of social housing by introducing a number of provisions to enhance the powers of both tenants and the Regulator of Social Housing. The Housing Secretary, Michael Gove, announced on the 9th February 2023 that social landlords will have to investigate and fix damp and mould in their properties within “strict new time limits”, in a new amendment to The Bill, the Department for Levelling Up, Housing and Communities has said that a consultation will be launched later this year to “set the timeframes within which landlords will have to act to investigate hazards and make repairs”. The regulator of social Housing has called on landlords to “act now” to ensure they comply with the standards - including on issues relating to damp and mould - before the legislation is enacted.
- 10.8 The effect of the Fire Safety Act 2021 is to require fire risk assessments of buildings with two or more sets of domestic premises to be updated to take account of structure, external walls and doors, if they have not already done so - the Fire Safety Act 2021 amends The Regulatory Reform (Fire Safety) Order 2005 to bring this into effect. Failure to comply with fire safety regulations can lead to enforcement action against FWH by the London Fire Brigade.
- 10.9 The Fire Safety (England) Regulations 2022, which implement most of the Grenfell Tower Inquiry recommendations, came into force 23 January 2023. The new provision requires ‘responsible persons’ of mid and high-rise blocks of flats to provide information to fire and rescue services to “assist them with operational planning and provide additional safety measures”. All multi-occupied residential buildings, residents should now be provided with fire safety instructions and information on fire doors.

11.0 Equality Implications

11.1 N/A

12.0 Consultation with Ward Members and Stakeholders

12.1 N/A

13.0 Human Resources/Property Implications (if appropriate)

13.1 N/A

Report sign off:

Carolyn Downs
Chief Executive