



# **First Wave Housing Limited**

## **2023/24 Business Plan**

# First Wave Housing Ltd 2023-24 Business Plan

## 1. Introduction

- 1.1. First Wave Housing Limited (FWH; the Company), formerly Brent Housing Partnership (BHP), is a local authority owned company of the London Borough of Brent (the Council), and is limited by guarantee.
- 1.2. FWH is a registered provider of social housing (RP). The Regulatory Framework for Social Housing in England governs registered social housing providers. The Framework includes a code of practice, guidelines for rent levels, accounting practices and disposals. There are a number of benefits associated with being an RP.
- 1.3. The following document is FWH's 2023-24 Business Plan. The Business Plan outlines how the Company plans to improve the quality of its stock, grow, and increase its contribution to the Council's ambition of creating a borough with "a future built for everyone, an economy fit for all".
- 1.4. The Business Plan takes the following format:
  - 2.0 Purpose of the Company
  - 3.0 Progress against the Company's 2022-23 Business Plan
  - 4.0 Context for 2023-24 Business Plan
  - 5.0 Strategic Priorities for 2023-24
  - 6.0 Appendices
    - A1 Closed Financial Appendix – Financial Implications of Proposals
    - A1a 30 Year Profit and Loss Account
    - A2 Risk Register
    - A3 Progress on 2022-23 Key Tasks
    - A3 2023-24 Key Tasks
    - A4 2023/25 SLA

## **2. Purpose of the Company**

### *2.1. Purpose of the Company*

2.2. FWH's primary purpose is to provide good quality, affordable, secure, and well managed homes to Brent residents and to contribute to Brent's Housing Strategy. It does this by managing, maintaining and improving its stock of 216 rental properties.

2.3. As a registered social landlord, FWH will aim to increase the size of its portfolio if this is appropriate to the Council's housing aspirations; for example, where this supports the Council's social housing strategy and expands the Council's affordable housing offer.

### *2.4. Stock Breakdown*

2.5. On the 4 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).

2.6. 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.

2.7. General Needs – These tenancies are Assured Shorthold Tenancy Agreements with rents protected at social rent levels which are below 50% of market rent. FWH has five new build social rented houses.

2.8. Settled Homes – These properties were purchased with a grant providing the tenants with protected rights including the right to buy their home. Settled homes are a form of long-term temporary accommodation. They are let on assured shorthold tenancies. When business plan surpluses are sufficient, properties will be converted, on an incremental basis, to affordable rents on assured tenancies.

2.9. Market rents – When market rented properties become void, they are let at LHA levels to households through a nomination agreement between the Council and FWH. This helps assist the Council's homelessness reduction agenda. FWH has 45 one bedroom market rent properties.

### 3. Progress against the Company's 2022-23 Business Plan

3.1. The medium- to long-term objectives of Brent's Housing Companies 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.

3.2. This section outlines performance in 2022-23 against each of the Company's strategic objectives.

#### 3.3. Summary of performance

3.3.1. As part of the agreed solution to remedy deficiencies with the external wall system at four of FWH's blocks in South Kilburn, FWH transferred these properties to the Council and i4B on 4 April 2022. This represents the quickest solution for the necessary works to be carried out, while ensuring that tenants remain within the Brent Council group and there is no additional homelessness, as well as providing capital receipts to FWH which will benefit its future financial viability.

3.3.2. In regards to operational performance, 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.

3.3.3. Table Two below provides a summary of operational performance at January 2023:

Table Two – Summary of Performance

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

3.3.4. High void times continue to represent the principal operational issue for FWH, with both minor and major void times remaining out of target. In order to address this, a void improvement project is being set up covering both the housing companies and the Council's Housing Revenue Account.

3.3.5. The following paragraphs provide a more detailed update on progress against the sub-objectives for each Housing Company objective in the 2022-23 Business Plan.

#### 3.4. Performance against strategic objectives

##### 3.5. *Delivering safe and sustainable homes*

3.5.1. The transfer of Granville New Homes took place on 4 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.

3.5.2. 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.

3.5.3. In response to the audit, a monitoring tracker has been produced that tracks all compliance elements for all FWH properties and blocks. All compliance certification is being located and saved in a central place. 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.

3.5.4. As a longer-term approach to the monitoring and reporting of compliance, BHM have now procured the True Compliance system. 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, has now gone live. 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.

3.5.5. In addition to this, a programme of updated compliance policies and procedures is being presented to the FWH Board. Gas safety, electrical safety and asbestos management policies have been signed off by the Board, with legionella and fire safety policies due to be signed off by the end of 2022-23.

3.5.6. 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.

3.5.7. 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.

### 3.6. *Increasing the supply of affordable housing in the borough*

3.6.1. 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

3.6.2. 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.

3.6.3. 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.

### 3.7. *Running a viable business*

3.7.1. 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.

3.7.2. Another key issue for FWH is value for money. A value for money strategy for FWH and i4B is being prepared and will be implemented during the 2023/24 financial year. In addition, FWH is working to commission a consultant to carry out a value for money review of voids and repairs. The results of this are expected back in early 2023-24.

### 3.8. *Providing a consistently good housing service*

3.8.1. 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.

3.8.2. 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.

## 4. Context for 2023-24 Business Plan

4.1 This section outlines the various contextual factors that have influenced the FWH Business Plan and how they influence the Company. These include, but are not limited to:

- Current economic context;
- The state of the housing market;
- The regulatory environment;
- Net zero and climate change; and
- The key risks the Company currently faces.

4.2 These factors have influenced the proposals outlined in Section 5.

### 4.3 *Current Economic Context*

4.3.1 Inflation in the UK is at its highest for 20 years and this is a pattern being experienced more widely in the global economy. These higher global inflation rates have been driven by COVID supply chain issues and the war in Ukraine. In the UK, the impacts of Brexit, particularly skills shortages and a tight labour market, are adding to these pressures.

4.3.2 CPI is expected to remain over 10% in the short-term, and fall sharply from mid-2023. The ongoing cost of living crisis is also expected to reduce affordability for tenants and lead to impacts on rent collection.

### 4.4 *The Housing Market*

4.4.1 During this financial year, property prices within Brent have risen and remain high, while demand has also increased. It is anticipated that house prices will reduce throughout 2023. Forecast decreases in national house prices range from around 5% to 12%<sup>1</sup>. For example, the Office for Budget Responsibility forecasts a reduction of 9% between Q4 of 2022 and Q3 of 2024<sup>2</sup>, while Savills anticipate a reduction of 10% nationally, and 12.5% in London<sup>3</sup>.

4.4.2 The property market will be regularly reviewed throughout 2023-24, including for any opportunities appropriate to FWH.

### 4.5 *The Regulatory Environment*

4.5.1 As a Registered Provider of social housing, FWH is required to comply with the standards of the Regulator of Social Housing. The regulatory environment in which FWH operates is set to become more stringent, with the introduction of new

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<sup>1</sup> <https://www.theguardian.com/business/2022/dec/26/experts-predict-housing-market-will-cool-in-2023-as-uk-enters-a-recession>

<sup>2</sup> <https://obr.uk/forecasts-in-depth/the-economy-forecast/housing-market/#houseprices>

<sup>3</sup> <https://www.savills.co.uk/insight-and-opinion/research-consultancy/residential-market-forecasts.aspx>



legislation such as the Building Safety Act and more proactive regulation in areas such as tenant satisfaction.

- 4.5.2 Alongside this, risk is increasing across the sector due to a combination of increased uncertainty in the operating environment (due to Brexit, Covid-19 and the war in Ukraine impacting supply chains and driving high inflation and costs), a rise in disrepair cases, and upcoming requirements in relation to building safety and decarbonisation. This has already led to a number of providers having their Governance and Viability ratings downgraded by the Regulator.
- 4.5.3 The Regulator's new tenant satisfaction measures will be effective from April 2023, and FWH will begin reporting on these to Board in early 2023-24. This forms part of a wider move towards more proactive regulation alongside the new Social Housing Regulation Bill, which will also offer new powers to the Regulator such as the ability to carry out inspections of and issue performance improvement plan notices to underperforming landlords.
- 4.5.4 Stock condition is another key theme. Alongside decarbonisation requirements discussed below, the sector is seeing a rise in disrepair cases and complaints to the Housing Ombudsman, principally in relation to property condition and damp and mould. In response, FWH will review and report on its disrepair cases, and develop a clear disrepair policy for such cases.
- 4.5.5 Finally, the new Building Safety Act will bring the introduction of a new Building Safety Regulator and a New Homes Ombudsman. The Act covers residential high-rise buildings at all stages from design and planning to construction and occupancy, and requires the provision of a 'golden thread' of detailed building information both to the Regulator and residents. It also introduces greater protections for leaseholders against historical defects as well as the requirement for a resident engagement strategy. The implications of the Act for FWH will be reviewed with BHM in advance of 2023-24, and a programme of work will be implemented to ensure compliance with the Act.

#### 4.6 *Net Zero and Climate Change*

- 4.6.1 Brent Council declared a climate and ecological emergency in 2019 and committed to do all reasonable in its gift to aim for carbon neutrality for 2030, and to work with government to achieve the national 2050 target. The target for Brent's housing in its Climate & Ecological Emergency Strategy (2021-2030) is to achieve an average EPC rating of B by 2030, in line with the London Councils target. Brent Council's housing companies' environmental sustainability targets are aligned with the Council's own environmental sustainability targets.
- 4.6.2 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.
- 4.6.3 Stock decarbonisation will be a significant capital expense for the Company. Modelling shows an indicative average cost per property of £18,000 for reaching EPC C and £20,500 for reaching EPC B; this has the potential to increase with inflation.

#### 4.7 *Risk Context*

4.7.1 The Company currently faces a number of risks. Key risks include:

- 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 lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
- Changing inflation or Government policy on rents and benefits means FWH cannot increase rents at business plan assumptions.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- Greater uncertainty in the external operating environment brings greater risk to FWH's financial modelling.

4.7.2 At the current time there is considerable uncertainty around the prospects for a sustained period of high inflation and the consequences for interest rates, housing prices and rental affordability for tenants. The impacts of this are being closely monitored and modelled by the Board.

4.7.3 Mitigating measures are in place to help to minimise the impact of all risks. A copy of the full Company risk register has been included in Appendix 2.

## 5. Strategic Priorities for 2023-24

5.1 This section outlines the Company's strategic priorities for 2023-24. In 2023-24 FWH will seek to consolidate its position while reviewing development opportunities in the borough. Priorities for the year 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.

### 5.2 Delivering Safe and Sustainable Homes

5.2.1 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:

#### 5.2.2 Priority 1: Monitor health and safety compliance

5.2.3 FWH will continue short-term monitoring and reporting of each compliance area, providing reassurance to the Board that the Company remains compliant with all relevant law. Additionally, FWH will monitor the implementation of the True Compliance system during 2023-24, ensuring all properties and certifications are uploaded to the system.

#### 5.2.4 Priority 2: Review implications of Building Safety Act

5.2.5 In 2023-24, FWH carry out a programme of work with BHM to ensure the Company complies with the newly introduced Building Safety Act.

#### 5.2.6 Priority 3: Develop decarbonisation strategy

5.2.7 Following the completion of the energy modelling work, FWH will use the results to develop a decarbonisation strategy to ensure its stock reaches target Energy Performance Certificate levels, which may include stock rationalisation where appropriate.

#### 5.2.8 Priority 4: Develop disrepair policy

5.2.9 To address the sector-wide rise in disrepair cases, FWH will develop a disrepair policy based on a review of its recent cases and work with BHM to implement this.

### 5.3 Increasing the Supply of Affordable Housing in the Borough

5.3.1 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 strategic priorities for this objective in 2023-24 are:

5.3.2 Priority 5: Explore future financing arrangements with Council

5.3.3 It is likely on any new build scheme FWH will have to make phased payments to a developer. FWH will therefore work with the council to explore financing arrangements that give it greater certainty over finance rates whilst minimising carry costs.

5.3.4 Priority 6: Review feasibility of a block acquisition

5.3.5 FWH will work with consultants to review the market for potential block acquisitions. These will review the number of live schemes against FWH's viability criteria, as well as site finding. As the Council is seeing greater demand from homelessness nominees with specific need for adapted units, this will also include adapted properties.

5.3.6 Priority 7: Review feasibility of new build purchases

5.3.7 As well as block acquisitions, FWH will also work with consultants to review the market for new build opportunities, aiming to identify viable options. As above, this will also include adapted properties.

5.3.8 The Council is looking to purchase 294 properties at Fulton Road, and has agreed heads of terms with the developer of the scheme. As part of the scheme, leasing 118 London Living Rent units to one of the housing companies is being explored. The Council is finalising arrangements with the GLA, and during the year the agreed company will look to agree heads of terms and enter into a lease agreement with the Council for the 118 units.

5.3.9 Priority 8: Review feasibility of re-entering street property market

5.3.10 In June 2023, FWH will review the feasibility of re-entering the street property market and, dependent on this review, may re-join the market. If the company does re-enter the market, the company's acquisition criteria will be more restrictive; for example FWH would avoid purchasing properties that do not meet energy performance requirements or properties in blocks with third party freeholders.

**5.4 Running a Viable Business**

5.4.1 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:

5.4.2 Priority 9: Carry out project to reduce arrears

5.4.3 During 2023-24 FWH will carry out a project alongside BHM to reduce arrears. This will include: allocating Homelessness Prevention Grant funding; reviewing the Company's sign-up process and tenancy sustainment approach; examining highest arrears cases to assess ongoing affordability and suitability for tenants; and

reviewing rent collection and arrears management processes to identify efficiencies and improvements.

5.4.4 Priority 10: Implement VfM strategy

5.4.5 The value for money (VfM) strategy will be presented separately and will be in place before the beginning of 2023/24 financial year. This will outline how FWH defines VfM, how it will improve VfM, and plans for monitoring this. This process will involve setting specific VfM targets with service areas through the service level agreement (SLA) with the Council. During 2023-24, FWH will therefore begin the implementation of the action plan in the VfM strategy.

5.4.6 Priority 11: Reduce void costs

5.4.7 The Council are currently carrying out a void improvement project and an end-to-end review of voids processes. Voids will continue to be closely monitored by officers and at Board meetings during the financial year to review the impact of this.

5.4.8 Priority 12: Significantly improve void turnaround times

5.4.9 Alongside the void improvement project and review, which will include the introduction of a simplified voids process, FWH will work with BHM to take actions to significantly reduce void times.

5.4.10 Priority 13: Explore potential stock rationalisation

5.4.11 Following the completion of the energy modelling work, FWH will review the financial and energy performance of properties. Additionally, in 2023-24 FWH will consider the potential disposal of under-performing properties, as well as continuing to carry out other disposals as appropriate. In such cases FWH will work with the Property Team to begin the disposal process.

**5.5 Providing a Consistently Good Housing Service**

5.5.1 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:

5.5.2 Priority 14: Review tenant satisfaction

5.5.3 Following the implementation of new tenant satisfaction measures in April 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. Regular reporting to the Board on tenant satisfaction will be introduced.

5.5.4 Priority 15: Improve complaints oversight and monitoring

5.5.5 Additionally, FWH will review its policies and management procedures for complaints and from this identify and implement any required process improvements.