



**Audit Advisory Committee**  
20 September 2017

**Report from Council Management  
Team**

For information

Wards Affected: ALL

**CMT response to report from I4B Holdings Ltd.**

**1. Summary**

- 1.1. I4B Holdings Ltd presented its first report to the Council Management Team (CMT) on 24 August 2017. This report presents CMT's response.

**2. Recommendations**

- 2.1. Audit Advisory Committee notes the response from CMT to the report from the Board of I4B Holdings Ltd (the Company).

**3. Background**

- 3.1 On 24 August 2017, CMT considered a report from the Board of I4B Holdings Ltd. The report provided an update on mobilisation of the Company, progress against the objectives set out in the Company's business plan and ongoing actions to address challenges which had arisen during the Company's first nine months of operation.

- 3.2 CMT noted the progress set out in the Company's report and recognised that a considerable amount had been achieved bearing in mind that this was a new way of working for the Council. CMT also noted that there is additional work to do in relation to ensuring effective operation of the Company, in particular in ensuring clarity about the roles of the Council and the Company and the relationship between the two entities.

- 3.3 CMT considered three specific issues:

- How to ensure that the Company's work meets the housing needs of people in Brent as well as meeting the Company's objectives.
- How to ensure that services provided to the Company by Council departments through the Service Level Agreement are effective and timely in supporting the Company to deliver its objectives.

- Various operational scenarios to determine the extent to which equity investment is likely to be needed and how this level of support can be provided from within Council resources.

#### **4. Comments on I4B Holdings Ltd report**

##### Update on mobilisation

- 4.1 CMT noted the progress which has been made by the Company in becoming incorporated and putting in place relevant systems and processes, for example Company policies and governance arrangements. It recognised that this work is detailed and time consuming and agreed to ensure necessary support is in place for the Company.
- 4.2 CMT agreed that lessons learnt from the set up of I4B Holdings Ltd should be used to inform the development of future limited companies by the Council

##### Delivery against original objectives

- 4.3 CMT recognised that the target of 300 homes for £100,000,000 was always an estimated figure and while the Company will prioritise meeting this target, it may need to flex this and purchase some properties for market rent in order to cross-subsidise the purchase of properties that would be let out at LHA rates. This would also enable the purchase of more properties in Brent, where it has been difficult to achieve the required yield to value ratios, as a result of inflated property values.
- 4.4 CMT noted the good progress which has been made by the Company in becoming incorporated and putting in place relevant systems and processes. However, CMT also noted some issues, raised by the Company, about the use of Council services via the SLA which have not been as flexible and agile as required. However, CMT also noted that this has been a new way of working and learning from the establishment of I4B is being used to improve ways of working as well as to inform future projects. In addition, had the Company opted to obtain external support, this would not have resulted in mobilisation being undertaken more quickly.
- 4.5 CMT also noted that the Company is currently primarily purchasing smaller units, as these fit the financial model better, and at present there is sufficient demand for this. CMT recognised that the primary purpose of the Company is to help the Council to achieve its regeneration objectives, including increasing the supply of housing across a range of tenures including for sale. CMT reaffirmed its priority to support the TA Reduction Plan.
- 4.6 CMT discussed the level of support required when setting up an organisation of this nature and how the arrangements with various departments operate and are coordinated. In particular, this included a discussion around the acquisitions process. CMT also discussed the advantages and disadvantages inherent in the Company using Council services rather than outsourcing and noted that the Company prefers the agility offered by shorter contracts. A revised SLA between the Company and the Council is being developed building in the lessons learnt through work to date.

- 4.7 CMT noted the sensitivities within the financial model of changing yields and the impact this has on the equity/loan ratio.
- 4.8 CMT noted the Company's intention to revise its business plan which will be provided to Cabinet for agreement.

## **5. Financial Implications**

- 5.1 There are no direct Financial Implications arising from CMT's response to the report from I4B Holdings Ltd.

## **6 Legal Implications**

- 6.1 There are no direct Legal Implications arising from CMT's response to the report from I4B Holdings Ltd.

## **7. Diversity Implications**

- 7.1 None identified.

## **8 Staffing/Accommodation Implications (if appropriate)**

- 8.1 None identified.

### **Contact Officers**

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