

	Officer Key Decision
	Report to the Director of Finance
I4B 2021/23 SLA Agreement	

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, paragraph 3 - relating to the financial or business affairs of any particular person (including the authority)
No. of Appendices:	<ol style="list-style-type: none"> 1. Appendix 1 – SLA no signatures 2. Appendix 1 – Exempt 3. Appendix 2 – Payment Process 4. Appendix 3 – SLA in excel format.
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Sadie East Head of Transformation Sadie.East@brent.gov.uk

1.0 Purpose of the Report

- 1.1 To obtain Director of Finance approval for the proposed 2021/23 Service Level Agreement with the i4B Holdings Limited for a term of two years.

2.0 Recommendation(s)

- 2.1 To approve entry into a Service Level Agreement with i4B Holdings Limited for a two year term to provide company support, landlord support, and acquisition services in accordance with Appendices 1 – 3 of the Report.

3.0 Background

- 3.1 The SLA is the formal agreement between the Council and i4B Holdings Limited (“i4B”) that outlines the services the Council will provide to support i4B’s operations. The document outlines the services provided, service standards, and management costs. The services include the following:

- Corporate Services – This relates to work carried out by the Transformation team and Finance team to support the companies. It also includes services

such as Internal Audit, Insurance, and Commercial Legal Support. These are revenue costs.

- Landlord Services – This is the work carried out by Brent Housing Management. This is split into housing management services such as rent collection and tenancy management, and property management services such as voids, repairs, and compliance work. These are revenue costs.
- Acquisition Services – This includes work carried out by the property buyers and legal services to support the company's acquisition programme. It also includes management costs going to Housing Property Services to manage the initial refurbishment of the property. These are capital costs.

3.2 i4B has adopted an approach of using Council Services where possible. The logic for this has been that the Council can provide a comprehensive range of services to a good standard. Furthermore, the SLA agreements benefit the Council as funding remains within the Council group structure.

3.3 i4B's current SLA agreement with the Council ran between 2017/18 to 2020/21. i4B wishes to renew the arrangement and i4B officers have met with service area leads to review the SLA and draft a new SLA for 2021/23. This has involved reviewing current performance, service standards, and costs. This informed a new draft SLA agreement that was presented to Board in December 2020.

3.4 The i4B Board reviewed and agreed the final SLA in March 2021. The proposed 2021/23 SLA has also been agreed with Council SLA leads. This report presents the proposed new SLA for 2021/23 to the Director of Finance for formal Council approval.

4.0 2021/23 SLA

4.1 The proposed 2021/23 SLA can be seen in Appendices 1, 2 and 3.

- Appendix 1 – The specification- this outlines the governance arrangements for managing the SLA such as processes for amending the SLA and dispute resolution. The specification then goes on to outline all of the services included in the SLA. This section details lead officers, service standards, KPIs, and costs. This contains signatures from Council SLA leads confirming they are happy with the specification.
- Appendix 2 – The payment process document for the SLA. This outlines invoicing and recharging arrangements
- Appendix 3 – This is essentially the SLA in a tabular format. In practice, this is the document that will be used for the day to day management of the SLA.

5.0 Summary of 2021/23 SLA

- 5.1 Table 1 below provides a summary of the revenue costs of the 2021/23 SLA. These are the costs that the 2021/23 Business Plan was based on. Costs were agreed with SLA leads by analysing staffing costs and time spent working on i4B

Table 1 – 2021/23 SLA annual revenue management costs compared to the current SLA

Service	Current SLA		Initial 21/22 Costs	
	Total	Unit Cost	Total	Unit Cost
Corporate Costs	£244,000	£813	£ 283,824	£862
Landlord Costs	£340,560	£1,135	£ 386,306	£1,215
Total	£584,560	£1,949	£ 670,130	£2,107

- 5.2 It should be noted that management costs for the current SLA were agreed in December 2017 and do not account for inflation. Furthermore, the SLA costs above do not include Home Counties management costs.
- 5.3 Capital costs for acquisitions services are expected to stay broadly the same with the Property and Legal teams being paid a fixed fee for each property purchased.
- 5.4 The SLA allows for a review of costs on an annual basis to ensure that costs accurately reflect the services provided. Any cost changes will need to be agreed by both the i4B Board and Council.
- 5.5 A two year terms has been selected as it aligns with i4B's business plan acquisition objectives. It is likely that in two years' time, i4B's portfolio will have increased and costs and services will need to be reviewed.

6.0 Corporate Services

- 6.1 There are no major changes in the corporate services that are provided under the SLA or service standards. However, there have been changes to costs in this area. Costs have increased from £244k per annum to £283k per annum.
- 6.2 This is primarily driven by increases in costs for the finance team from £39k to £77k. This increase in funding better reflects the resource used by Finance on i4B.
- 6.3 A new role has also been created in the Transformation team. This incurs an additional £55k of cost for i4B.
- 6.4 Both these increases will be mitigated by a reduction in interim staff costs in 2021/23.

7.0 Landlord Services

7.1 There have been changes in both service standards and costs for landlord services. Costs have increased from £341k to £377k.

7.2 Housing Management

7.2.1 In the previous SLA, housing management services were covered under one line in the SLA. This has been amended; there are separate lines for all of the different services provided by Housing Management. Each line also has a service cost.

7.3 Leasehold Support

7.3.1 Under the new SLA, i4B will receive an enhanced leasehold service. This includes:

- The monitoring of all leasehold properties including service charge information, section 20 notices, compliance, and lease information.
- Greater scrutiny of service charges and s20 notices.
- An annual review of all leasehold properties to ensure information is accurate.
- Improved financial reporting on third party freehold service charges.

7.4 Utilities

7.4.1 At present, Utilities do not have their own section in the SLA. A line has been added to the 2021/23 SLA for utilities management arrangements. This will require BHM to:

- Produce a full meter list for i4B properties;
- Ensure utility bills are logged and suitably challenged; and
- Ensure that utility bills are recharged to tenants correctly.

7.4.2 The cost for this service is £8k.

7.5 Repairs

7.5.1 i4B will now pay a fixed management fee for repairs. The SLA introduces enhanced requirements on: monthly reports on repair costs, monthly reports on repairs, monthly quality inspection reports, and reporting on customer satisfaction.

7.6 Capital Programme

7.6.1 Management fees for capital works will be charged as 7% of the cost of works.

7.6.2 The SLA introduces the following service standards: annual stock condition surveys, annual five year capital investment plans, and monthly capital monitoring meetings.

7.7 Re-let voids

7.7.1 i4B will pay a fixed fee for re-let void costs. The SLA introduces the requirement for: monthly void performance meetings, bi annual reviews of the void standard, monthly invoicing, and new KPIs around void costs.

8.0 Acquisitions

8.1 Service standards and costs in this area have stayed broadly the same. Both the property team and the legal team are paid £1,500 and £700 upon each property purchase. It is proposed that these fees stay the same.

8.2 One area of change is to future developments, block purchases, and projects. The Property team will now be responsible for bringing a monthly report to Board on new block opportunities. The Property team will be required to bring six viable opportunities to Board on an annual basis.

8.3 If any of these schemes were to materialise into a viable opportunity, the property team would then be paid a separate project fee. The Legal Team would also be paid a separate conveyancing project fee.

9.0 Future Management Arrangements

9.1 Future Management Arrangements for SLA

9.2 SLA meetings will be increased from a quarterly to monthly basis. SLA meetings will:

- Review services provided against service standards;
- Performance against KPIs;
- Current issues; and
- Current risks

9.3 The Board will be provided with a monthly update report on SLA meetings. Outlining key issues and actions discussed

9.4 Future annual SLA reviews will take place between September and December. These reviews will look at performance and costs. During this period it is proposed that a Board member enter an initial review meeting and then a final closing meeting.

10.0 Financial Implications

10.1 The I4B business plan for 2021/22 contains an SLA budget of £653,000. The business plan was approved at the I4B Board meeting in December 2020.

10.2 There have been some minor adjustments to the cost schedules between December the SLA being finalised in March 2021. These have increased the SLA cost to £670,130.

10.3 The increase is not material and is affordable within the overall business plan where I4B is forecast to move from making losses to a surplus in 2021/22.

11.0 Legal Implications

- 11.1 Companies such as i4B, established and solely owned by a council parent, are regarded as “contracting authorities” in their own right for the purposes of the Procurement Regulations 2015 (“PCR”). As a result, services or works over the relevant PCR financial threshold that i4B commissions from another organisation, *even those commissioned from its own parent*, have to be competitively tendered. There are however exemptions under the PCR that can potentially be used to avoid the need to competitively tender and i4B seeks to rely on such exemption in offering to contract with the Council.
- 11.2 This ability to contract with the Council is reliant on the “Teckal” exemption under Regulation 12 of the PCR. This situation would be classed as reverse Teckal. i.e. a Council owned company awarding a contract to the Council which would fall outside the PCR 2015.
- 11.3 The Council has the ability to agree to provide services to a third party in a range of circumstances. Section 1 of the Localism Act 2011 provides local authorities with the power to do anything an individual may do, subject to a number of limitations. This is referred to as the ‘general power of competence’. A local authority may exercise the general power of competence for its own purpose, for a commercial purpose and/or for the benefit of others.
- 11.4 s93 of the Local Government Act 2003 introduced the power to charge for discretionary services provided this is done on a cost recovery basis. This can be done directly by the council.
- 11.5 The provision of goods, works or services by the Council to a third party is governed by Contracts Standing Orders 87 that provides:
- (a) The Local Authorities (Goods and Services) Act 1970 (“the 1970 Act”) provides that local authorities may enter into contracts to provide goods and services to public bodies defined as such by the 1970 Act. Section 96 of the Local Government Act 2003 provides that local authorities may do for a commercial purpose anything which they are authorised to do for the purpose of carrying on any of their ordinary functions provided this power is exercised through a company within the meaning of Part 5 of the Local Government Act 1989. The general power of competence in the Localism Act 2011 may also authorise the provision of goods, works and services by the Council.
 - (b) Before entering into arrangements under any of these provisions, officers must comply with the relevant requirements of Financial Regulation in Part 2 of the Constitution.
 - (c) Authority to enter into arrangements under any of these provisions must be agreed by the Cabinet (or if appropriate the General Purposes Committee) where:
 - (i) the contract value would exceed £1m per annum; or

- (ii) the gross cost to the Council of providing the relevant goods, services or works under the contract is estimated to exceed £1m per annum calculating the full costs over the term of the contract (including any period of extension(s) anticipated by the contract):
 - (iii) where a company is to be set up for the purposes of the arrangements.
- (d) In all cases advice shall be sought from the Director of Legal, HR, Audit & Investigations and the Director of Finance prior to entering into any such arrangement and/or prior to seeking approval by the Cabinet.

11.6 The Council has the statutory power to enter into the proposed Service Level Agreement with i4B and given the proposed value of the arrangements as set out in Appendix 2, the Director of Finance has delegated authority to approve the Recommendation 2.1 to enter into a Service Level Agreement with i4B.

12.0 Equality Implications

12.1 The public sector equality duty, as set out in section 149 of the Equality Act 2010, requires the Council, when exercising its functions, to have “due regard” to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, to advance equality of opportunity and foster good relations between those who have a “protected characteristic” and those who do not share that protected characteristic. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

12.2 Having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.

12.3 There is no prescribed manner in which the council must exercise its public sector equality duty but having an adequate evidence base for its decision is necessary.

12.4 The proposals in this report have been subject to screening and officers believe that there are no adverse equality implications.

13.0 Consultation with Ward Members and Stakeholders

13.1 Given the Recommendation in this report is to provide Council services to i4B, its own Teckal company, there has been no consultation with Ward Members and Stakeholders.

Report sign off:

SADIE EAST

Head of Transformation