

	<p align="center"><b>Cabinet</b> 7 March 2022</p>
	<p align="center"><b>Report from the Chief Executive</b></p>
<p><b>i4B Holdings Ltd Business Plan 2022/23</b></p>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> <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 (Financial Appendices i – iii) 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)”
<b>No. of Appendices:</b>	Five Appendix 1 i4B 2022/23 Company Business Plan Appendix 2 Company Risk Register Appendix 3 2021/22 Key Tasks – Progress Update Appendix 4: 2022/23 Draft Key Tasks Appendix 5: Housing Companies’ Development Strategy
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Sadie East Operational Director of Transformation Tel: 020 8937 1507 <a href="mailto:Sadie.East@brent.gov.uk">Sadie.East@brent.gov.uk</a>

## 1.0 Purpose of the Report

1.1 This report provides Cabinet with a final draft of the i4B Holdings Ltd (i4B) 2022/23 Business Plan. Cabinet is asked to approve the Business Plan on behalf of the Shareholder.

## 2.0 Recommendations

2.1 Cabinet approve i4B’s 2022/23 Business Plan.

- 2.2 Cabinet approves the content and proposed strategic priorities of i4B's 2022/23 Business Plan.
- 2.3 Cabinet approves the updated financial model contained within the 2022/23 Business Plan.
- 2.4 Cabinet approve the Housing Companies' Development Strategy.

### **3.0 Background**

- 3.1 In November 2016, Cabinet agreed to establish a wholly owned investment company – i4B Holdings Limited. The Company was set up to own and manage private rented sector (PRS) properties, in order to support the Council's homelessness agenda.
- 3.2 i4B's Shareholder Agreement states that the Company should produce an annual Business Plan for Shareholder approval.
- 3.3 This report provides a final draft version of i4B's Business Plan for 2022/23. This version incorporates feedback from CMT at its 3 February 2022 meeting as well as the i4B Board meeting on 27 January 2022 and Shareholder meeting on 28 January 2022.

### **4.0 Update on Operational Performance**

- 4.1 Table One below gives a summary of operational performance at December 2021. The two main operational issues are void times and rent collection. Minor void re-let times are within target, however major void re-let times remain out of target. A voids improvement action plan is in place; progress will be closely monitored and reported to the Company Board during 2022-23. Officers are investigating the reasons for the drop in rent collection rates and drivers of arrears, and in 2022-23 will review current rent collection processes to identify improvements.

Table One – Key Performance Indicators

Indicator	Target	Performance at December 2020	Performance at December 2021
Number of units	378 PRS by April 2022	PRS: 302	PRS: 354 Key Worker: 153
Average cost per property	£363,000	£363,484	£366,778
Net yield of whole portfolio	1.22%	1.25%	1.30%
Net yield of year to date purchases	1.22%	1.88%	1.58%
Instruction to Legal to Purchase	120 days	132 days	132 days
Minor void re-let times	35 days	93 days <i>NB: In Dec 20 void times were not split into major/minor therefore, there is only an overall figure</i>	19 days
Major void re-let times	75 days	93 days <i>NB: In Dec 20 void times were not split into major/minor therefore, there is only an overall figure</i>	151 days
Rent collection	98.50%	93.50%	88.5%
Landlord Gas safety Record	100%	BHM – 95% Mears – 97%	BHM – 99.57% Mears – 92.42%

## 5.0 Progress in Implementing 2021/22 Business Plan

5.1 In February 2021, the 2021/22 i4B Business Plan was approved.

5.2 The 2021/22 Business Plan outlined the following as the Company's medium- to long-term objectives:

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

5.3 The following summarises each of the objectives and reports on progress against these.

5.4 Increasing the supply of affordable housing in the borough

5.4.1 The 2021-2022 Business Plan outlined that i4B's primary aim is to improve the Council's affordable housing offer through the acquisition and letting of properties in Brent and neighbouring boroughs. The Company has maintained its street property purchase programme throughout 2021-22, and is on track to purchase circa 45-50 across the year against a target of 60. Purchasing rates have been slower than target due to a lack of properties meeting i4B's viability criteria, as a result of a surge in market demand and an ensuing rise in house prices.

5.4.2 Despite the reduced rate of purchases, the Company has continued to purchase higher yielding properties, which has strengthened the Company's future financial position. The average net yield of the portfolio continues to increase from 1.27% in July 2021 to 1.30% in December 2021. The average net yield of the 35 properties purchased this financial year so far is 1.58%.

5.4.3 A Development Strategy has been produced for both of the Council's housing companies. The aim of the Strategy is to support i4B's priority of utilising remaining and potential future funding to develop a portfolio of affordable new build accommodation which:

- Supports the Council's Housing Strategy and relieves housing need;
- Supports the financial viability of the Company; and
- Is feasible and realistic.

5.5 Running a viable business

5.5.1. The i4B Business Plan monitors and assures the ongoing financial viability of the Company. The current key operational issues for i4B are high void times and levels of arrears. In the 2021-22 Business Plan i4B aimed to improve void times and thereby reduce void rent loss. While issues with high void times remain, a new interim voids and lettings manager has been appointed and the voids process has been reviewed. As a result, an improvement action plan is in place, and performance will be reported to the Company Board and closely monitored over the coming financial year.

5.5.2. Rent collection rates dropped following the Covid-19 pandemic and as a result arrears remain high. Rent collection rates are below target, likely due to a combination of the increased number of tenants on Universal Credit, the potential unaffordability of rents for some i4B properties, and the ongoing impact of Covid-19 including the closure of the courts. Affected residents are being supported to access assistance via the Brent Resident Support Fund and Homelessness Prevention Grant. An arrears and affordability analysis was carried out for the Company's development stakeholder session, and the Board has agreed to monitor arrears as a priority for the coming financial year.

5.5.3. During 2021-22, i4B's sister company First Wave Housing carried out a benchmarking exercise on its operational and financial performance. This provided useful insights for i4B, including repairs performance being strong and costs being generally in line with sectoral averages. However, i4B has a low capital spend currently. During 2022-23, therefore, an asset management strategy and value for money strategy will be developed.

## 5.6 Delivering safe and sustainable homes

5.6.1 During 2021-22, i4B set out to review its compliance arrangements with the Head of Housing Property Services. While existing policies have been reviewed, further work is required to put in place an effective set of policies and performance metrics. This will therefore be carried over into the 2022-23 Business Plan.

## 5.7 Providing a consistently good housing service

5.7.1. i4B aims to ensure tenant satisfaction and therefore monitors this regularly through monthly reports to the Board and biennial STAR surveys. The next STAR survey is due in 2022.

5.7.2. A customer satisfaction improvement plan has been implemented. Some of the key actions from the customer satisfaction improvement plan are:

- Brent Housing Management restructure and monthly service improvement board meetings
- Communication plan and appointment of a dedicated housing officer for i4B
- Introduction of compliance reporting and improved performance reporting
- Improved grip on voids management process and inspection of external communal areas

## 6.0 **2022/23 Business Plan**

6.1 Appendix 1 contains a final draft of the Company's 2022/23 Business Plan. The i4B Board met on the 27<sup>th</sup> January 2022 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 2022/23 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2022/23 are set out within the framework of the medium to long-term objectives of Brent's Housing Companies. These objectives are:

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

6.3 Cabinet should note that the business plans were reviewed by the i4B Shareholder on 28<sup>th</sup> January 2022 and CMT on 3<sup>rd</sup> February 2022. Feedback

was that further information should be included on how i4B plans to progress decarbonisation work in 2022/23. This has been incorporated into the 2022/23 business plan.

#### 6.4 Increasing the supply of affordable housing in the borough

6.4.1 i4B's primary aim is to improve the Council's affordable housing offer through the acquisition and letting of properties in Brent and neighbouring boroughs. In October 2019, Cabinet agreed loan facilities of up to £110.5m be made available to i4B and First Wave Housing Limited. Strategic priorities for 2022/23 that relate to this objective are:

- Priority 1: Purchase 48 street properties in 2022-23
- Priority 2: Take on 25 properties from First Wave Housing as part of the transfer of Granville New Homes
- Priority 3: Review new build market opportunities in the borough
- Priority 4: Review feasibility of setting up a new purchasing stream for adapted accommodation
- Priority 5: Review feasibility of purchasing larger properties with four or more bedrooms

#### 6.5 Running a viable business

6.5.1 This objective relates to improving the operational and financial performance of i4B. In order to continue to provide affordable housing and bring benefits to the Council, i4B must remain financially viable. It is thus imperative that operational services run smoothly and planning, monitoring and reporting are as accurate and effective as possible. i4B will maintain an effective system of financial control, as well as benchmark and understand costs to ensure that the Company delivers value for money. Strategic priorities for 2022/23 that relate to this objective are:

- Priority 6: Reduce void times
- Priority 7: Develop an Asset Management Strategy for i4B
- Priority 8: Commence the disposal of company properties in the Home Counties that do not meet demand
- Priority 9: Review void and repair costs
- Priority 10: Develop and implement a value for money strategy for i4B
- Priority 11: Review approach to former tenant arrears
- Priority 12: Improve rent collection and arrears management

#### 6.6 Delivering safe and sustainable homes

6.6.1 This objective involves ensuring that i4B's homes are of a good quality, safe, compliant, and environmentally sustainable. Strategic priorities for 2022/23 that relate to this objective are:

- Priority 13: Establish a suite of compliance policies and standards to ensure legal compliance

- Priority 14: Establish a suite of performance monitoring metrics to give the Board assurance on compliance levels
- Priority 15: Carry out an audit of the new compliance suite
- Priority 16: Commission review of energy performance data for current stock
- Priority 17: Commission review to understand what work is required to bring stock up to an average of EPC B
- Priority 18: Model cost implications of bringing stock up to an average EPC B rating and develop a funding strategy for financing a carbon reduction works programme

## 6.7 Providing a consistently good housing service

6.7.1 This objective relates to improving tenant satisfaction. i4B will do this by ensuring it has clear service standards and procedures that enable complaints and anti-social behaviour issues to be resolved quickly and effectively. i4B will also effectively monitor and manage the performance of our contractors, provide a responsive repairs service, and provide effective cleaning, caretaking and grounds maintenance. Strategic priorities for 2022/23 that relate to this objective are:

- Priority 19: Monitor tenant satisfaction

## 7.0 **Financial Implications**

7.1 The financial implications are set out in the business plan itself. The key changes from the previous plan are a slowing of the purchase rate of new properties from 60 to 48 per year plus the addition of 25 units transferred from First Wave Housing. Higher inflation has been factored into the plan whilst rent levels have been frozen for the first 4 years on a prudent assumption that LHA rates will not increase.

7.2 The plan shows i4B moving into surplus with surpluses increasing substantially once rents start to increase again from 2025/26 onwards.

7.3 The business plan demonstrates that i4B is able to operate as a going concern.

## 8.0 **Legal Implications**

8.1 The adoption of the proposed Business Plan is a matter reserved to the Council as the sole shareholder in i4B Holdings Limited and the intention is to seek Cabinet approval on 7 March 2022.

8.2 i4B is a wholly-owned local authority company, controlled by the Council, which was established to own and manage private rented sector (PRS) properties, in order to support the Council's homelessness agenda. Though i4B owns the out-of-Borough properties referred to in the Report, they ultimately serve the Council's housing purposes. The Council exercises a degree of control over disposal of these properties given the requirements of the Shareholder Agreement as to Council consent for disposal. In exercise of that control, the

Council ought to ensure that, the spirit and purpose of section 123 Local Government Act 1972, is complied with, so that any sale of i4B's out-of-Borough land is for best consideration reasonably achievable by i4B.

8.3 In the context of the various delivery routes referred to in the report and Business Plan, it should be noted that 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 Public Contracts 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, or any other partnership arrangements as referred to in this report with the Council or other Registered Providers, potentially have to be competitively tendered, unless relevant exemptions available under the PCR apply.

## **9.0 Equality Implications**

9.1 N/A

## **10.0 Consultation with Ward Members and Stakeholders**

10.1 N/A

## **11.0 Human Resources/Property Implications (if appropriate)**

11.1 N/A

**Report sign off:**

**Carolyn Downs**  
Chief Executive