

	<p style="text-align: center;">Cabinet 13 March 2023</p>
	<p style="text-align: center;">Report from the Chief Executive</p>
<p>i4B Holdings 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 2 to 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 i4B 2023/24 Company Business Plan (part exempt – forms an appendix to the Business Plan) Appendix 2 Company Risk Register (forms an appendix to the Business Plan) Appendix 3 i4B 2023/24 Key Tasks (forms an appendix to the Business Plan) Appendix 4 i4B 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 i4B Holdings Ltd (i4B) 2023/24 Business Plan. Cabinet is asked to approve the Business Plan on behalf of the Shareholder.

2.0 Recommendations

- 2.1 Cabinet approve i4B's 2023/24 Business Plan.
- 2.2 Cabinet approves the content and proposed strategic priorities of i4B'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 Corporate Director of Finance & Resources to approve the variation of the Service Level Agreement during 2023/24.

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 2023/24. This version incorporates feedback from CMT at its 16th February 2023 meeting as well as the i4B Board meeting on 24th January 2022 and the Company Shareholder meeting on 11th January 2022.

4.0 Update on Operational Performance

- 4.1 Table One below gives a summary of operational performance at January 2023. The two main operational issues continue to be void times and rent collection. A voids improvement project is being set up covering both housing companies and the Council's Housing Revenue Account; progress will be closely monitored and reported to the Company Board during 2023/24. A dedicated Tenancy Sustainment Officer has been appointed to ensure that tenants are set up on the relevant benefits and are able to make regular payments. A wider project looking at tenancy sign-up, rent collection and arrears management processes and systems is also being set up to begin in early 2023.

Table One – Key Performance Indicators

Indicator	Target	Performance at December 2021 (YTD)	Performance at January 2023 (YTD)
Number of units	418 by April 2023	PRS: 354 Key Worker: 153	PRS: 391 Key Worker: 153
Instruction to Legal to Purchase	120 days	132 days	147 days
Minor void re-let times	35 days	19 days	New purchases: 111 days Re-lets: 162 days
Major void re-let times	72 days	151 days	New purchases: 126 Re-lets: 206 days
Rent collection	98.50%	88.5%	BHM – 92.1% Mears – 90.5%
Void Rent Loss	1%	9%	5%*
Emergency repairs completed within 24 hours	100%	100%	97%
Urgent repairs completed within 7 days	95%	81%	80%
Routine repairs completed within 28 days	95%	91%	75%
% of properties with a valid gas safety certificate	100%	BHM – 99.57% Mears – 92.42%	BHM – 100% Mears – 95.2%

*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 i4B Business Plan was approved.

5.2 The 2022/23 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 priorities and reports on progress against these.

5.4 Increasing the supply of affordable housing in the borough

5.4.1 The 2022/23 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. A Development Strategy was agreed alongside the 2022/23 Business Plan with the aim 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 Companies; and
- Is feasible and realistic.

5.4.2 The strategy was implemented during 2022/23. However, this has been impacted by the current economic environment, principally higher global inflation rates driven by COVID supply chain issues and the war in Ukraine. In the UK, skills shortages and a tight labour market are adding to these pressures.

5.4.3 The Company's ongoing street property purchase programme has been significantly impacted by increased interest rates, which reduce the amount i4B can spend on new acquisitions. As of January 2023, i4B has purchased 21 properties in the financial year against an initial target of 48. The Board has agreed to a pause on committing any new loan funding and to therefore suspend the acquisition programme until May.

5.4.4 During 2022/23, i4B also carried out a pilot of purchasing adaptable properties to meet high demand from homeless families requiring adapted accommodation. Additional funding of up to £100,000 per property was allocated to the pilot, but i4B's price caps have proven restrictive, especially as i4B primarily operates in the south of Brent where the majority of properties are flats and terraced houses and therefore not typically suitable for adaptation. Therefore, a large amount of additional funding would be required in order to make this a viable purchasing stream for i4B. Due to the significant amount of funding required, the Council is now exploring alternative options for housing this Cohort; options involving i4B are being considered as part of this.

5.5.1 Running a Viable Business

5.5.1. The i4B Business Plan monitors and assures the ongoing financial viability of the Company. The key operational issues for i4B continue to be high void times and levels of arrears. There has been a lack of improvement in void times 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.

5.5.2. Rent collection rates remain below target. Some reasons for this include delays in processing Universal Credit claims leading to build-up of arrears in the initial stages of a tenancy and the potential unaffordability of rents for some tenants; this has been further compounded by the ongoing cost of living crisis. To

address this, a dedicated i4B Tenancy Sustainment Officer has been appointed, who will ensure new tenants are set up on the correct benefits and begin making regular rent payments, and will work with existing tenants in arrears.

5.5.3. In addition to this, a wider project to improve rent collection and reduce arrears is being set up. This will involve examining the sign-up process and the support offered to tenants, reviewing rent collection and arrears management processes, and reviewing i4B's highest arrears cases to consider ongoing tenant affordability and any necessary action including the allocation of Homelessness Prevention Grant funding.

5.5.4. i4B has also commissioned a programme of stock condition surveys. Initial results have been received, and the final report is expected in February 2023; this will be used to develop a long-term asset management strategy for the company.

5.6 Delivering safe and sustainable homes

5.6.1 During 2022/23, i4B commissioned an audit of its health and safety compliance arrangements, managed primarily through its Service Level Agreement with Brent Housing Management. Following the audit, a monitoring tracker has been produced that tracks all compliance elements for all i4B properties. i4B 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.

5.6.2. 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. i4B 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.

5.6.3. The decarbonisation of i4B's stock is set to be a major capital expense for the Company. During 2022/23, i4B commissioned a programme of stock condition and energy surveys, which outlined the requirements and estimated costs for bringing i4B properties up to an Energy Performance Certificate rating of B. The results of this work have been received, and i4B 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.

5.6.4. The company has also applied for the Green Homes Grant, and the managing agent of the grant is working to book in surveys with tenants with the view to completing a programme of energy efficiency works at properties by the end of 2022/23, in order to improve the Energy Performance Certificate (EPC) rating of properties to at least a C.

5.7 Providing a consistently good housing service

5.7.1. i4B 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.

5.7.2. The Regulator of Social Housing has introduced a new suite of tenant satisfaction measures which will be in place from April 2023. While i4B is not regulated by the Regulator, it follows its standards in line with the approach of the Council's HRA and First Wave Housing. BHM are carrying out a pilot of the new surveys, and reporting to the i4B Board will begin from early 2023/24. In addition, i4B 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 i4B 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:

- 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 Increasing the supply of affordable housing in the borough

6.3.1. 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. i4B has available finance and aims to ensure this is spent in a way that adds maximum value to the Council, whilst also being feasible and supporting the Company's financial viability. i4B has currently suspended new offers on street properties to focus on acquiring a new build scheme during 2023/24. During 2023/24, i4B will work with partners to appraise schemes, and will look to re-enter the market later in the year. Strategic priorities for 2023/24 that relate to this objective are:

- Priority 1: Explore future financing arrangements with Council
- Priority 2: Review feasibility of a block acquisition
- Priority 3: Review feasibility of new build purchases
- Priority 4: Review feasibility of re-entering street property market

6.4 Running a Viable Business

6.4.1. This objective relates to improving the operational and financial performance of i4B 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 and rent collection rates, 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 5: Carry out project to reduce arrears
- Priority 6: Implement VfM strategy
- Priority 7: Reduce void costs
- Priority 8: Significantly improve void turnaround times
- Priority 9: Explore potential stock rationalisation

6.5 Delivering Safe and Sustainable Homes

6.5.1. This objective involves ensuring that i4B'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. i4B 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 10: Monitor health and safety compliance
- Priority 11: Implement plan in response to Building Safety Act
- Priority 12: Develop decarbonisation strategy
- Priority 13: Develop disrepair policy

6.6 Providing a Consistently Good Housing Service

6.6.1. This objective relates to improving tenant satisfaction. While not regulated by the Regulator, i4B 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 i4B 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 i4B, 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 i4B.

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

7.4 i4B 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 business' financial viability should assumptions vary from those forecasted.

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 i4B is initially positive but reduces over two years due to the cost of the refurbishment works to the Granville blocks. The cash balance then remains broadly stable for five years to 2030/31 as rental growth offsets the cost of decarbonisation works through the stock. From 2031/32 onwards cash balances start to increase as rental growth continues and capital costs associated with the decarbonisation works end.

9.4 i4B is forecasting positive cash balances of around £0.5m for the five years up unto 2030/31. These balances are relatively small in terms of the size of the organisations. As a result all the stress test scenarios modelled in the business plan put the organisation into deficit. The business plan sets out that further work will be required on contingency plans to ensure the organisation can maintain its financial viability.

9.5 i4B does have £23m of financial capacity to acquire additional properties. The costs of this borrowing are reflected in the business plan as the loan finance has already been drawn down. No rental income or management and

maintenance cost assumptions are included in the plan as decisions are still to be made on how this financial capacity will be utilised. Any additional purchases will make a positive cash flow contribution to the business plan.

10.0 Legal Implications

- 10.1 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 13th March 2023.
- 10.2 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.
- 10.3 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 other providers, potentially have to be competitively tendered, unless relevant exemptions available under the PCR apply.
- 10.4 The Building Safety Act 2022 has implications for i4B as a Landlord 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

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