

	<p align="center"><b>i4B Holdings Ltd</b>  <b>Shareholder Meeting</b>  8 August 2023</p>
	<p align="center">Report from the Chair of  i4B Holdings Ltd</p>
<p align="center"><b>Update on i4B Performance</b></p>	
<p><b>No. of Appendices</b></p>	1 – i4B Compliance Scorecard 2 – i4B Risk Register
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## 1.0 Purpose of the Report

1.1 This report provides an update on the performance of i4B Holdings Ltd (i4B).

## 2.0 Recommendation(s)

2.1 The Shareholder notes the update on i4B’s financial and operational performance, risks and compliance.

2.2 The Shareholder notes the update on the 2023/24 i4B Business Plan.

## 3.0 Key Points

3.1 i4B’s business objective is to maximise affordable housing consistent with maintaining the Company’s ongoing financial viability. The Company is designed to offer a delivery option for the Council’s affordable housing and reducing homelessness objectives.

3.2 The current economic environment of high inflation and high interest rates continues to impact i4B’s ability to purchase properties. i4B has now resumed purchasing and the property team are currently identifying properties in the borough.

3.3 In the 2022/23 financial year, the company made an operational profit of £0.659m compared to £0.549m in 2021/22.

3.4 The Company’s main operational challenges continue to be void times and rent collection. The effectiveness of Brent Housing Management’s recent changes to voids management is being monitored, but it is too soon to carry out a full assessment as the ‘Hit Squad’ has only been in operation since July 2023.

3.5 i4B's 2023/24 business plan was agreed by Cabinet in March 2023. i4B's priorities are set out within the framework of the Company's medium-to long-term objectives. These 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

#### **4.0 Update on Purchasing**

4.1 i4B's street property acquisition programme has been impacted by high global inflation levels and increased interest rates, which have reduced the amount of properties that meet the Company's financial criteria. As a result, in late 2022 the i4B Board took the decision to suspend new offers on properties for six months. Overall, the Company purchased 22 properties in 2022-23, and has purchased six properties in 2023-24 to date.

4.2 i4B has circa £20m remaining of loan funding from the Council, which has been drawn down at an interest rate of 3.45%. By way of comparison, current Public Works Loan Board (PWLB) rates are at over 5%.

4.3 In May 2023, a review of the street property market was carried out in collaboration with the Council's Property Team. This indicated that, while still restrictive, there were likely to be some viable opportunities for i4B to purchase on the secondary market at the drawn down 3.45% rate. However, at current rates (5.2% at the time of the report) purchasing was expected to be very challenging.

4.4 Given this, the Board agreed to resume offers on individual street properties and smaller blocks using available funding at the 3.45% rate. The Property Team have begun to identify opportunities in the borough; 10 offers have been made so far with four properties now in conveyancing and new properties being identified on a weekly basis. The Board will keep progress under review and continue to work with the Housing Needs service to understand how best new acquisitions can be used to help meet the increasing demand from homeless individuals and families.

4.5 The Company's purchasing guidance has been strengthened to avoid acquiring properties that do not meet energy performance requirements, difficult-to-manage properties in blocks with third party freeholders, properties with short leases, and properties with disrepair issues such as damp, mould or structural problems.

4.6 Alongside purchasing on the secondary market, i4B is also open to larger new build block opportunities. i4B recently commissioned consultants Red Loft to analyse the housing development market and the various delivery routes available to i4B and First Wave Housing. The results of this work were presented at a strategy session in May.

4.7 At the session, the Board confirmed that direct delivery of new development was out of scope for the scale of the companies. The Board agreed that

purchasing a new build block through Section 106 or a bulk purchase would be the best way to use remaining funding quickly and usefully.

- 4.8 Any opportunity requiring more than the £20m of loan funding remaining to i4B would require new loan finance from the Council as Shareholder. The Shareholder is asked to provide initial feedback on the availability of loan funding for such future opportunities.

## 5.0 Update on Financial Performance

- 5.1 In the 2022/23 financial year, i4B made an operational profit of £0.659m compared to £0.549m in 2021/22. Void turnaround times and low-income collection rates remain the key drags on financial performance. The purchase programme slowed in 2022/23 as a result of strained affordability with interest rate rises.

### 5.2 Summary Financial Outturn

- 5.2.1 The financial outturn for the year is below. The key points are:

- i4B has generated a surplus before revaluations, depreciation and tax of £0.659m compared to of £0.549m in the previous year.
- The principal variations to the prior year are £0.952m in net financing costs arising as a result of the drawdown of £40m loan facility in August 2022. The loan interest payable for the year is £5.2m which is partially offset by interest receivable of £0.3m; this is £369k higher than the budget of £4.55m.
- i4B initially set a target of acquiring 48 properties in its 2022-23 Business Plan. However, recent higher global inflation rates and ensuing increases in interest rates challenged this ambition. 24 new units were purchased and in addition, 25 intermediate units were transferred from First Wave Housing to i4B on 4th April 2022 as part of the transfer of the Granville New Homes blocks, hence increased turnover.

Table 1 – Financial Outturn 2022/23

<b>i4B 22/23 Outturn</b>	<b>Budget 22/23</b>	<b>March 23 Forecast</b>	<b>March 23 Outturn</b>	<b>Variance to Budget</b>	<b>Variance to Forecast</b>
Income	8,606	8,696	8,688	82	(8)
Expenditure	(3,081)	(2,765)	(3,109)	(28)	(344)
Financing	(4,551)	(5,294)	(4,920)	(369)	374
<b>Profit (Loss) before tax revaluations and depreciation</b>	<b>974</b>	<b>637</b>	<b>659</b>	<b>(315)</b>	<b>22</b>

### 5.3 Income and Expenditure Statement

5.3.1 Profits excluding depreciation, revaluations and tax is £0.659m compared to £0.549 in 2021/22.

5.3.2 The key changes compared to the prior year are:

- Increased income due to an increase in property numbers
- A positive revaluation gains due to increases in the property values market.
- £0.952m increase in net financing costs as a result of the drawdown of £40m loan facility
- Tax on ordinary activities higher by £1.6m due to increased operating profit and increase in revaluation surplus.

#### Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2022/23 £000	2021/22 £
Turnover	5	8,688	6,663
Cost of sales	6	(338)	(314)
<b>Gross profit(loss)</b>		<b>8,350</b>	<b>6,349</b>
Administrative expenses	7,8,9	(2,771)	(1,833)
Depreciation		(519)	(526)
Surplus on disposals		30	0
Surplus (Loss) on revaluation	11	5,825	2,316
<b>Operating Profit</b>		<b>10,915</b>	<b>6,306</b>
Interest payable and similar charges	10	(4,920)	(3,967)
<b>Profit on ordinary activities</b>		<b>5,995</b>	<b>2,339</b>
Tax on Loss on ordinary activities	12	(2,096)	(442)
<b>Profit (Loss) on ordinary activities after taxation</b>		<b>3,899</b>	<b>1,897</b>
Unrealised Gain (Loss) on Property Plant and Equipment	11	2,893	(175)
Deferred Tax charge	12	(593)	(658)
<b>Total Comprehensive Income for the year</b>		<b>6,199</b>	<b>1,064</b>

5.3.3 Concerns have been raised about repeated late charges being received from the Council that should have been recharged earlier in the year. This is primarily on refurbishments, which is a high area of expenditure and therefore important to monitor. This has an impact on providing accurate forecasts to the board during the year. In addition clarity on the cost and standard of refurbishments, as well as the approval process, requires further attention. To this end, the Council's internal audit team will be asked to carry out a review of company financial controls.

## 6.0 Update on Operational Performance

6.1 Tables 2, 3 and 4 give a summary of current operational performance.

Table 2 – Key Performance Indicators

Indicator	Target	Performance at November 2022	Performance at June 2023
Number of PRS units	n/a	PRS: 389 Key Worker: 153	PRS: 429 Key Worker: 153
Average cost per property	£363,000	£370,415	£372,274
Net yield of whole portfolio	1.22%	1.32%	1.33%
Instruction to Legal to Purchase	120 days	144 days	146 days
Minor void times	35 days	New Purchases: 104 days  Re-lets: 179 days	New Purchases: 89 days  Re-lets: 218 days
Major void times	72 days	New Purchases: 122 days  Re-lets: 179 days	New Purchases: 102 days  Re-lets: 169 days
Emergency repairs (24 hours)	100%	96%	100%
Urgent repairs (7 days)	95%	77%	97%
Routine repairs (28 days)	95%	77%	77%
Rent collection	98.5%	BHM – 89.7% Mears 88.4%	BHM – 91.6% Mears – 92.5%
Landlord gas safety record	100%	BHM – 100% Mears – 95.2%	BHM – 100% Mears – 100%

## 6.2 Acquisitions

6.2.1 The Company's ongoing street property purchase programme has been significantly impacted by higher global inflation rates and increased interest rates, which has reduced the amount i4B can spend on new acquisitions. Subsequently, there is no purchasing target for the current financial year. As of June 2023, i4B has purchased six properties. See Section 4 for more information.

## 6.3 Voids Performance

6.3.1 High void times continue to be the major operational issue for i4B, with both minor and major void times out of target. This is an issue facing the whole of BHM. In order to address this, BHM introduced a Voids Hit Squad in July 2023, comprising of three officers and one Manager. The purpose of the team is to casework and 'own' each void as it comes through from end to end. Each void will have an officer attached to it who will track and monitor it to ensure that delays are prevented, and that major and minor void turnaround times are bought back within target. In addition, work is being carried out to identify and clear any historic or incorrectly logged voids.

6.3.2 i4B owns 79 properties in the Home Counties and Greater London which are managed by an external provider, Mears Housing Management. Mears have re-let one property in this financial year. The property took 591 days to be let; delays in re-letting this property were due to Brent being unable to provide a nomination for the property and a nomination agreement needing to be set up with Milton Keynes council. In addition, at the point of sign up, additional works and outstanding compliance certificates were identified which caused further delays.

6.3.3 Table 3 shows the current number of void and occupied properties. Currently, 16 of the company's 429 PRS properties and four properties at i4B's key worker block, Lexington, are void. i4B have provided nominations for two of the current void properties. Due to the high demand for this block, the remaining two vacant flats will be allocated to applicants from the waiting list once void works are complete. Of the 16 PRS properties, 3 are recent acquisitions and 13 are re-let voids including two properties in the Home Counties and one property at Granville New Homes, a group of blocks in South Kilburn requiring significant remedial work; as a result this property is out of management, meaning it will not be re-let until the necessary remedial works have been carried out.

Table 3 – Refurbishment and Lettings

<b>Refurbishment &amp; Lettings</b>	<b>Performance at December 2022</b>	<b>Performance at June 2023</b>
Properties Let	PRS: 401 Lexington:150 <b>Total: 551</b>	PRS: 411 Lexington: 149 <b>Total: 560</b>
Properties void	PRS: 25 Lexington: 3 <b>Total: 28</b>	PRS: 16 Lexington: 4 <b>Total: 20</b>

6.3.4 As of the end of June 2023, i4B has housed 416 families and 961 children.

Table 4 – Breakdown of families directed to i4B as of June 2023

<b>Previous Accommodation</b>	<b>No. of families</b>	<b>No. of children</b>
Direct to i4B	102	210
Women's Refuge	2	15
TA Stage 1 – B&B	255	585
TA Stage 2 – Leased	57	151
<b>Total</b>	<b>416</b>	<b>961</b>

#### 6.4 *Rent collection*

6.4.1 Rent collection is also a major operational issue for i4B. The year-to-date rent collection figure is 91.6% for BHM, which falls below the target of 98.5%. In order to address this, a dedicated Housing Companies Operational Manager was appointed by BHM in June 2023. It is hoped that a renewed focus on early intervention will reduce rent arrears and increase tenancy sustainment and an upturn in i4B's rent collection rates will be evident in the coming months.

6.4.2 The year-to-date rent collection figure for Mears is 92.53%, which falls below the target of 98.5%. Mears manage a portfolio of less than 100 properties and a small number of non-payers are having a significant impact on collection figures. We have assurance that Mears are following the correct escalation procedures, including legal action where necessary.

## 6.5 *Repairs*

6.5.1 In the year to date, 100% of all emergency repairs have been responded to within 24 hours. All urgent repairs have been completed within 7 days, which is above the target of 95% and 29 out of 42 routine repairs were completed, which falls below the target of 95%.

## 6.6 *Mears Contract*

6.6.1 In June 2023 it was agreed that the Mears contract be extended for a further year with a more in-depth review of performance to be carried out in advance of the next potential extension in September 2024 to determine the value for money i4B is receiving from both BHM and Mears.

## 6.7 *Health & Safety Compliance*

6.7.1 As of June 2023, 100% of i4B properties have a valid gas safety certificate.

6.7.2 Compliance and action updates are reported to the i4B Board each month. The latest monthly compliance scorecard reported to the Board is included in Appendix 1.

6.7.3 True Compliance, BHM's new compliance management system, has gone live with the initial reports expected imminently. i4B will track the implementation of True Compliance during 2023-24 and will continue its increased monitoring of health and safety compliance until True Compliance is fully embedded and regular reporting to the Board is in place.

## 7.0 **Risk Update**

7.1 The i4B risk register is included in Appendix 2. The main risks the Company faces are detailed below:

- i4B lacks the policies, knowledge and governance arrangements to effectively monitor regulatory and legal standards on compliance.
- High void rent loss due to long void turnaround times.
- High Capital Programme costs, including future climate change obligations, undermine the viability of the business plan.
- Substantial variations in inflation and interest rates compared to the business plan adversely affect financial performance and viability.
- Tax inefficiency in the i4B company structure makes property acquisition and decarbonisation works unaffordable

7.2 The Company's risk register is reviewed quarterly. Throughout the risk register, business plan assumptions, mitigations and actions are updated. The

scoring in the risk register is as of the last review at August 2023, and is due to be reviewed again for the next Board meeting in October 2023.

## **8.0 Update on the 2023/24 i4B Business Plan**

8.1 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. A summary of business plan performance against each objective in the year to date is below.

### *8.2 Increasing the supply of affordable housing in the borough*

8.3 A Strategy session with consultants Red Loft was held in May 2023 to review the market for new build and block acquisition opportunities. The Board agreed that i4B should explore s106 and bulk purchase opportunities where appropriate as well as re-entering the street property market.

### *8.4 Running a viable business*

8.5 In June 2023 a Housing Companies Operational Manager was appointed, who will work with i4B Officers to undertake project work in order to reduce rent arrears across the portfolio.

8.6 The Voids Hit Squad has now been introduced by BHM in an effort to improve void processes and performance times. An analysis of their performance will be carried out in December 2023.

8.7 A company Value for Money Strategy will be presented at the September Board, outlining actions to improve i4B's understanding of current costs and performance, identify actions to improve performance and value for money in key areas of focus, and ultimately improve the company's ability to meet its business plan objectives.

### *8.8 Delivering safe and sustainable homes*

8.9 Health and safety compliance is overseen through both the short-term monitoring tracker and the implementation of True Compliance, which is now live. Initial reports are expected imminently.

8.10 Lexington has been registered on the Government portal as per the requirements of the Building Safety Act and the London Fire Brigade portal registration is in progress.

8.11 Stock condition and energy surveys have been carried out and the final outcomes are pending. Once received, reports will be run to review the energy performance and decarbonisation potential across the stock to inform long-term asset management planning.

8.12 A report on disrepair was presented to the July Board meeting. It demonstrated how BHM is managing disrepair cases and proactively managing damp & mould on behalf of i4B, and summarise live cases.



### 8.13 *Providing a consistently good housing service*

8.14 New tenant satisfaction measures have now been implemented and initial findings were presented to Board in July 2023. i4B 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. In addition to this, in order to enhance complaints oversight and monitoring improvement work to the complaints system is being scoped by consultants.

## **9.0 Update on Governance**

9.1 Alongside its monthly internal Board meetings and twice-yearly meetings with the Council as Shareholder, i4B has reported every six months since its inception to the Audit and Standards Advisory Committee (ASAC) on risks, operational & financial performance, and progress in implementing the company's business plan. Following a review of the ASAC's terms of reference, it has been agreed that future reports to the ASAC will be from the Shareholder setting out how assurance to ASAC that its governance arrangements over i4B/FWH remain robust. The next report to the business plan is also approved each year by Cabinet.

9.2 On an annual basis, i4B also reviews its compliance with the economic standards set out by the Regulator of Social Housing, in the areas of value for money, rent, governance and financial viability. Actions implemented following the 2022-23 review include the introduction of a Board self-review and appraisal of the chair. The Board also agreed to sign up to the National Housing Federation Code of Governance in June 2023.

9.3 i4B also uses the Council's Internal Audit service to carry out audits on areas where it is seeking additional assurance. Recent audits have focused on governance arrangements between the Council and companies, and health and safety compliance.

9.4 Since the last report to the Shareholder in January 2023, Phil Porter has stepped down from the i4B Board following his departure from the Council. Melanie Smith, Director of Public Health, has joined the Board.