



i4B Holdings Limited Shareholder Meeting

8 February 2024

Update on i4B Performance and Business Plan

No. of Appendices	1 – 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) and presents a summary of its draft Business Plan for 2024/25.

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 2024/25 i4B Business Plan.

2.3 The Shareholder provides feedback on the Business Plan proposals.

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 In May 2023; i4B's street property purchase programme resumed and is forecast to purchase 12 properties in the current financial year, with a further 25 predicted for 2024/25. i4B will also be exploring the option of acquiring a new build, with off-the-shelf purchases through s.106 schemes or bulk purchases representing a viable route for the company.

3.3 i4B is forecasting a loss of £770k, significantly diverging from the budgeted £197k profit, indicating a deficit of £967k. Variances are set out in Section 5.

3.4 Operational performance is generally stable. The Company's main operational challenges continue to be void times and rent collection, however performance in both areas is improving as a result of improvement projects. The i4B Board will continue to closely track this progress throughout 2024/25.

3.5 i4B's draft 2024/25 business plan priorities are set out within the framework of the Company's medium-to long-term objectives. These are:

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

4.0 Update on Purchasing

4.1 As of February 2024, i4B has purchased 428 private sector homes and switched the tenure to an affordable PRS product.

4.2 i4B's street property purchase programme resumed in May 2023, following agreement to draw down loan funding at the 3.45% interest rate. By way of comparison, current Public Works Loan Board (PWLB) rates are over 5%. This resulted in more opportunities becoming viable for the company. i4B is forecast to purchase 12 properties in the current financial year, with a further 25 predicted for 2024-25.

4.3 Additionally, the company agreed to explore the option of acquiring a new build. i4B commissioned consultants Red Loft to analyse the housing development market and explore potential acquisition routes. It was agreed that off-the-shelf purchases through s106 schemes or bulk purchases would represent a viable route for the companies.

4.4 NE02 is a Quintain development in Wembley Park with a mixture of 1, 2 and 3-bedroom units, due to be ready for handover in 2025. Following the announcement of uplifted Local Housing Allowance (LHA) rates for 2024-25, an affordable price for i4B has been worked up at an estimated loan interest rate of 5.5%.

4.5 Pending advice from the Council's Regeneration team, this will be passed on to the Property & Assets team to proceed with negotiations with Quintain.

5.0 Update on Financial Performance

5.1 The financial monitoring forecast is set out in Table 1 below. The company is forecasting a loss (before taxes) of £770k against a budget profit of £197k, this is an adverse variance of £967k. The loss after tax £1.76m, adverse variance of £714k.

Financial Year 2023-24 i4B	Budget Full Year £	Forecast Full Year £	Variance Full Year £	Variance %
Gross Rental Income	10,070	9,804	(266)	-3%
Void loss	(399)	(399)	-	0%
Net Rental Income	9,671	9,405	(266)	-3%
Cost Categories				
Corporate SLA	301	301	(0)	0%
HRA SLA	436	436	0	0%
Home Counties Management Costs	99	99	(0)	0%
Annual maintenance	891	1,237	(345)	-39%
Utilities	95	95	-	0%
Council Tax	55	49	6	12%
Service Charges	586	854	(268)	-46%
Insurance	51	88	(37)	-73%
Audit Fees	42	42	-	0%
Legal Fees	41	41	-	0%
Professional Services	96	96	-	0%
Supplies and Services	2	104	(102)	-6600%
Bad Debts	986	940	46	5%
Depreciation	500	500	-	0%
Total Operating Costs	4,182	4,883	(701)	-17%
Operating Profit	5,489	4,522	(967)	-18%
Interest & Similar Charges	5,292	5,292	-	0%
Profit/(Loss) Before Tax	197	(770)	(967)	-491%
Corporation Tax	1,244	991	253	20%
Profit/ (Loss)	(1,047)	(1,761)	(714)	68%

- 5.2 Net rental income is forecast at £9.4m, this is an adverse variance of £266k. This is mainly due to budgeted rental income from acquisitions which were not achieved in the year.
- 5.3 Operating expenditure is forecast to be £701k greater than budget of £4.18m. This is mainly made up of overspend on maintenance costs (repairs and voids costs). A zero-based approach was taken in setting the budget for 2024/25 to ensure adequate budget provision is made in the year.
- 5.4 Overspend on service charges is as a result of prior year invoice payments to third party managing agents. Measures have been put in place to ensure all costs are captured in the year they fall due.

- 5.5 The full year contract for third party managing agents is reviewed to ensure full year costs are captured in the year the costs are incurred; this exercise will be carried out across all expense lines for the year.
- 5.6 There are incidences of unbudgeted expenditure such as compensation payments on disrepair cases. This is also reflected in the variance on operating expenditure. Going forward, the different components of compensation costs (legal costs, repair costs and compensation to residents) are reported separately to understand the true costs relating to damp and mould and other disrepair cases.
- 5.7 The 30-year business plan for 2024/25 has been prepared and acquisition plan for the balance of the £40m loan incorporated. Future acquisition programmes based on the new 2024 LHA rates as well as increased interest rates are excluded for now. The plan will be reviewed in another six months to update on the future plans of the company as they become clearer.
- 5.8 Although there is a loss forecast for the year, the company has a healthy cash position, so there is no risk of insufficient liquidity to carry out its normal business activities. Additionally, the business plan for 2024/25 shows the company returning to profit from 2024/25 onwards.

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 January 2023 (YTD)	Performance at January 2024 (YTD)
Number of PRS units	429 by April 2024	PRS: 415 Key Worker: 153	PRS: 428 Key Worker: 153
Average cost per property	£363,000	£368,467	£370,415
Net yield of whole portfolio	1.22%	1.31%	1.32%
Instruction to Legal to Purchase	120 days	147 days	149 days
Minor void times	35 days	New purchases: 111 days Re-lets: 162 days	New Purchases: 95 days Re-lets: 138 days
Major void times	72 days	New purchases: 126 Re-lets: 206 days	New Purchases: 212 days Re-lets: 282 days
Rent collection	98.5%	HM: 92.1% Mears: 90.5%	HM: 94.26% Mears: 89.66%
Landlord gas safety record	100%	Brent Housing Service – 100% Mears – 100%	Brent Housing Service – 100% Mears – 95.2%

6.2 Acquisitions

6.2.1 As outlined in Section 4, the Company's street property purchase programme resumed in May 2023. As of February 2024, i4B has met its acquisition target of 12 properties in the financial year, and has circa £13.5m remaining in loan funding.

6.3 Voids Performance

6.3.1 Despite major and minor void times remaining out of target, there have been recent signs of improvement following Brent Housing Service's temporary introduction of a Voids Hit Squad. The team comprises three officers and a manager overseeing the end-to-end voids and lettings process. They are responsible for ensuring that delays are prevented, and void turnaround times are brought back within target. Performance is expected to remain outside of target until legacy cases, which are currently impacting the overall average, have been cleared. Legacy voids include: 275 Kestrel House in Ealing, which has been void for 266 days but is nearing completion; 65 Canada Crescent in Acton, which has been void for 115 days but is now ready to let; and 42 Gloucester Close in Stonebridge, which has been void for 125 days and continues to be impacted by prolonged pest baiting programmes at the block. Further work is being carried out to report on these legacy voids separately.

6.3.2 Moving forward, the voids process will be overseen by the Operational Manager. The Board will continue to closely track this progress during 2024/25.

6.3.3 Mears' void performance has been impacted by difficulties letting the larger properties in the Home Counties. i4B will consider the disposal of these properties if improvements to turn around times are not seen.

6.3.4 Table 3 shows the current number of void and occupied properties. Currently, 23 of the company's 428 PRS properties and four properties at Lexington are void. Of the 23 PRS properties, four are recent acquisitions, 17 are re-let voids (including six Home Counties properties) and two are out of management.

Table 3 – Refurbishment and Lettings

Refurbishment & Lettings	Performance at December 2022	Performance at February 2024
Properties Let	PRS: 401 Lexington: 150 Total: 551	PRS: 405 Lexington: 149 Total: 554
Properties void	PRS: 25 Lexington: 3 Total: 28	PRS: 23 Lexington: 4 Total: 27

6.3.4 As of the end of December 2023, i4B has housed 449 families and 1010 children.

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

Previous Accommodation	No. of families	No. of children
Direct to i4B	116	216
Women's Refuge	2	15
TA Stage 1 – B&B	294	665
TA Stage 2 – Leased	37	114
Total	449	1010

6.4 *Rent collection*

6.4.1 Rent collection for i4B also remains below target. Of the management agents, Brent Housing Service is the highest performing, with a year-to-date collection rate of 94.26%. Mears has a collection rate of 89.66%.

6.4.2 The i4B portfolio typically experiences lower collection rates compared to First Wave Housing (FWH). This is influenced by factors such as higher rent levels in i4B and a larger proportion of temporary accommodation tenancies in FWH, leading to more tenants receiving Housing Benefit, directly credited to the rent account, in contrast to Universal Credit, where payments are primarily made to the applicants.

6.4.3 To address this, Brent Housing Service have set up a dedicated housing management team for the housing companies; this team have reviewed the sign-up, tenancy sustainment, rent collection and arrears management processes and have evaluated historic highest arrears cases to assess ongoing suitability. Subsequently, the sign-up process has now been revised and is in a pilot phase. Ongoing improvements will be made to rent collection and arrears management, with the aim of providing a more comprehensive service for 2024/25.

6.4.4 i4B are beginning to see positive improvements from this work and will continue to work with management agents to monitor rent collection performance and work towards the target of 98.5%.

6.5 *Compliance*

6.5.1 Table 5 provides an update on health & safety compliance. Aside from one gas safety certificate and a number of outstanding electrical safety certificates, i4B has achieved full compliance in the relevant areas. The one missing LGSR is for a property managed by Mears, and the legal escalation route to gain access is being followed. On EICRs, the legal process to gain access continues to be followed for each outstanding certificate; however, it is not possible to force entry to properties that refuse access, as is the case with gas certificates.

Table 5 – Compliance Scorecard

Compliance Area	Certification	No. of Applicable Properties/ Blocks	No. of Compliant Properties/ Blocks	Compliance Rate
Electrical Safety (Property)	EICR	HMS: 507 Mears: 77	HMS: *374 Mears: *71	HMS: 82.93% Mears: 93.4%
Gas Safety (Property)	LGSR	HMS: 303 Mears: 67	HMS: *303 Mears: *66	HMS: 100% Mears: 98.5%
Asbestos (Block)	Asbestos survey	7	7	100%
Legionella (Block)	Legionella risk assessment	7	7	100%
Electrical Safety (Block)	Communal EICR	3	3	100%
Lifts (Block)	Inspection report	1	1	100%
Fire Safety (Block)	FRA	2	2	100%

**Data does not include void properties*

7.0 Risk update

7.1 The i4B risk register is included in Appendix 1. The main risks the Company faces are detailed below:

- Poor data quality on asset management systems means compliance with H&S standards cannot be effectively monitored, resulting in i4B being non-compliant with its statutory obligations.
- i4B's policies, knowledge and governance arrangements are not sufficiently effective to monitor regulatory and legal standards on health & safety compliance.
- Tenant non-payment of rent increases due to unaffordability of rent.
- High Capital Programme costs, including future climate change expenditure, undermine the viability of the business plan.
- Greater uncertainty in the external operating environment brings greater risk to i4B's financial modelling.

7.2 The Company's risk register is reviewed quarterly. Throughout the risk register, business plan assumptions, mitigations and actions are updated. Mitigating measures are in place to help to minimise the impact and likelihood of all risks. A wider review of the risk register, including the overall format as well as detailed risk wording and scoring, is planned for the coming months. A copy of the full Company risk register has been included in Appendix 1.

7.3 *Mitigating Measures*

- 7.3.1 In response to an audit on health and safety compliance i4B carried out a full review into compliance at its dwellings and blocks and produced a monitoring tracker that tracks all compliance elements. Compliance updates are reported to the Board each month.
- 7.3.2 Alongside this, as a longer-term solution, Brent Housing Service has procured True Compliance. All i4B properties have been successfully loaded onto the True Compliance system and work to get the system fully set up for all compliance areas is progressing.
- 7.3.3 The introduction of a Nominations Panel, who carry out affordability assessments on all applicants put forward to i4B from Housing Needs has improved oversight into the affordability and suitability of properties and enhanced tenancy sustainment.
- 7.3.4 A report on energy performance, requirements and the decarbonisation potential of the portfolio has been received from the Asset Management team and is being factored into the financial business plan. Initial analysis suggests that the financial risk to the companies is not as high as previously anticipated.
- 7.3.5 All of the above-mentioned measures, have had a positive impact and led to the reduction of 6 risk likelihood scores at the last review, in January.

8.0 Update on the Content and Proposals of the Draft 2024/25 i4B Business Plan

- 8.1 Table 4 shows the timetable for the i4B Board to approve the 2024/25 Business Plan. The i4B Board met and discussed the Business Plan on 25th January 2024. A revised version will now be produced for final approval by the Board.

Proposed Paper	Paper Deadline	Board Meeting
Business Plan Final Draft and Board Sign Off	19 January 2024	25 January 2024

- 8.2 Table 5 shows the timetable for the Shareholder to approve the 2024/25 Business Plan. The Business Plan will be presented to the Shareholder at the following meetings:

Meeting	Paper Deadline	Meeting Date
i4B Guarantor Meeting	5 February 2024	8 February 2024
Council Management Team – Final Draft	9 February 2024	14 February 2024
PCG	16 February 2024	21 February 2024
Cabinet – Final Approval	4 March 2024	11 March 2024

- 8.3 The 2024/25 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2024/25 are set out within the framework of the medium to long-term objectives of Brent's Housing Companies. A summary of business plan proposals for each objective is below.

8.4 Providing a Consistently Good Housing Service

8.4.1 i4B will focus on reviewing initial responses to the Regulator's new tenant satisfaction measures and improve its oversight of complaint handling. Through the SLA with Brent Housing Service, the newly implemented Operational Team will continue to focus on rental affordability and sustainment for i4B tenants. The company will also focus on the re-tendering of its management contract for its properties in the Home Counties.

8.5 Delivering safe and sustainable homes

8.5.1 i4B will continue to further embed improved practices in the areas of compliance, disrepair and asset management and energy efficiency. This entails overseeing the successful implementation of True Compliance, ensuring all requirements of the Building Safety Act are met and carrying out further work on modelling and planning for future property management and decarbonisation works.

8.6 Running a viable business

8.6.1 In 2024/25, i4B will focus on implementing its value for money strategy, agreed by the Board in September 2023, to reduce costs and improve financial performance, with a particular focus on voids performance and financial controls. Additionally, i4B will also assess the outcome of a value for money review of voids from external contractor Ridge, to improve oversight of void costs, and a void works pilot with a smaller contractor. Following this, i4B will work with Property Services to implement any necessary improvements.

8.7 Increasing the Supply of Affordable Housing in the Borough

8.7.1 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. For 2024/25, i4B will continue to explore the acquisition of both street properties and blocks, with a forecast of using the majority of its remaining finance during 2024/25. This will include acquiring a target of 25 street properties as well as continuing to review the market for new build opportunities and identify viable options for acquisition or leasing. The Council has allocated a provision of £40m in its 2024-25 budget for potential loan funding to the housing companies. This offers flexibility to i4B and First Wave Housing during the year to pursue a range of opportunities, including a potential block purchase and a continuation of the street property acquisition programme beyond the use of existing drawn-down funding.

9.0 Update on Governance

9.1 Since the last report to the Shareholder in August 2023, Martin Smith has stepped down as Chair of i4B. Andrew Hudson was appointed as Chair and took up post in January 2024.