



Audit and Standards Advisory Committee

25 September 2024

Report from the Chief Executive and Corporate Director of Finance and Resources

Report on i4B Holdings Ltd and First Wave Housing Ltd

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
No. of Appendices:	Two Appendix 1: i4B September 2024 Report to the Shareholder Appendix 2: FWH September 2024 Report to the Guarantor
Background Papers:	N/A
Contact Officer(s): (Name, Title, Contact Details)	Hal Chavasse Strategy & Delivery Manager 020 8937 4649 Harry.Chavasse@brent.gov.uk

1.0. Executive Summary

- 1.1. This report provides the Audit and Standards Advisory Committee (The Committee, ASAC) with an update on the work of the Housing Companies, i4B Holdings Ltd (i4B) and First Wave Housing (FWH) to deliver against their business plans for 2024-25, which were agreed by the Council as Shareholder of i4B and Guarantor of FWH.

2.0. Recommendation(s)

- 2.1. The ASAC is asked to note the content of the report.

3.0. Detail

3.1. Introduction

3.1.1. In November 2016, Cabinet agreed to establish its wholly owned investment company, i4B Holdings Ltd. The Company was set up with the purpose of acquiring, letting, and managing a portfolio of affordable, good quality PRS properties. Properties would be let to homeless families at Local Housing Allowance (LHA) levels. This would enable the Council to either prevent or discharge its homelessness duty and therefore reduce Temporary Accommodation costs.

3.1.2. FWH is a Registered Provider of Social Housing wholly owned by Brent Council. FWH is limited by guarantee, and owns a stock of 216 units.

3.2. Contribution to Borough Plan Priorities & Strategic Context

3.2.1. The work of i4B and FWH contributes to the Borough Plan strategic priority of 'Prosperity and Stability in Brent: Safe, Secure and Decent Housing' as its core business activity involves increasing the supply of good quality affordable housing in the borough and reducing the use of Temporary Accommodation.

3.3. Reporting and Governance Arrangements

3.3.1. This report provides information and assurance on the arrangements the Council, as Shareholder of i4B and Guarantor of FWH, has in place to oversee the good performance and governance of the companies. This approach is in-line with best practice as set out in CIPFA's Audit Committees guidance.

3.3.2. Moving forward, operational performance for the companies will be scrutinised by the Community & Wellbeing Scrutiny Committee and the performance of the companies in contributing to the Council's strategic priorities will be scrutinised by the Resources & Public Realm Scrutiny Committee. The companies presented a report to this latter committee on 4th September 2024.

3.3.3. i4B and FWH hold six-monthly meetings with the Chief Executive, Corporate Director of Finance & Resources and Deputy Leader who represent the Council as Shareholder/Guarantor. The most recent Shareholder & Guarantor meetings took place in February and September 2024. Section 3.4 provides an update on the key discussions at the September meeting.

3.4. Update from Shareholder & Guarantor Meeting

3.4.1. The latest Shareholder/Guarantor meeting between the Council and i4B/FWH took place on 12th September 2024.

3.4.2. The independent Chair of the i4B and FWH Boards, Andrew Hudson, presented a report on the company's acquisition programme, operational performance, financial performance, 2024-25 business plan progress, risks and governance to the Council's Corporate Director of Finance & Resources.

3.4.3. The full report for i4B can be found in Appendix 1, and for FWH in Appendix 2. This section provides a summary of key discussions at the meeting.

3.4.4. *Operational Performance*

3.4.5. The Chair of the Board noted that voids performance continued to be a key area of focus for both companies, with a deep dive review meeting to be held with i4B/FWH directors, officers and housing colleagues in order to identify ways of improving the efficiency of the voids management process. This would have a particular focus on turning round more simple voids as quickly as possible, while acknowledging that more complex cases will take longer, e.g. due to pest control issues or roofing works. It was also noted that the overall number of voids for FWH had halved since the last report in February, which shows good progress in reducing overall void numbers and associated void rent loss, with both companies having a low turnover and eviction rate.

3.4.6. The Corporate Director of Finance and Resources asked for specific narrative on individual void cases to be added to future reports, to give context to the small sample size of voids for the companies.

3.4.7. The companies were also asked to add in additional narrative to future reports on work being done to address remaining gaps in health & safety compliance, such as outstanding electrical certificates, to assure the Shareholder/ Guarantor that all possible steps were being taken to improve performance. i4B/FWH officers agreed to explore new solutions such as asking electrical contractors to attend at the same time as gas contractors, who are legally able to force entry to inaccessible properties in order to carry out works.

3.4.8. Tenant satisfaction metrics for both companies are well below the Council's benchmarks and where the Board would like to be. Further work is being done alongside Council colleagues to determine the specific causes of low satisfaction and develop and implement an improvement plan.

3.4.9. For legal disrepair cases, overall numbers coming in had reduced and the list of existing cases were being properly processed, with the majority of cases either at or reaching settlement. However, it was likely that a greater number of new cases would come through over the winter months due to the effect of bad weather. Reporting from the Legal service on i4B/FWH cases, progress, works and compensation has improved following the introduction of a monthly report.

3.4.10. *Acquisitions*

3.4.11. After pausing acquisitions in 2023/24 due to high interest rates, and resuming its purchasing programme later in that year, i4B exceeded its acquisition target for 2023/24 - purchasing 14 properties against a target of 12. i4B is similarly on track to exceed its target of 25 properties for 2024/25; the company expects to acquire circa 40 properties in the year. This is due to a combination of favourable loan rates, property market conditions, and an increase in Local Housing Allowance which allows the company to charge higher rents while remaining affordable to tenants.

3.4.12. The Shareholder confirmed that i4B has its continued support to move forward with further acquisitions, subject to loan rates and market conditions

continuing to combine positively to make acquisitions viable within i4B's financial criteria. This is expected to be a combination of block and portfolio acquisitions related to private landlords exiting the market, and i4B's ongoing street property purchases.

3.4.13. The Chair and Guarantor confirmed that FWH also remains available to take advantage of any opportunity available to it as a Registered Provider, for example government grants issued via the Greater London Authority. The Council and company are awaiting further information on potential grant funding from central government, and the group affirmed its desire to explore all options that would enable FWH to contribute to increasing housing supply.

3.4.14. *Financial Performance*

3.4.15. The Chair advised that the i4B 2023-24 outturn position had shown a higher surplus for the company than in 2022-23, though this was partly due to large increases in the asset revaluation.

3.4.16. Similarly for FWH, the company had a higher surplus for 2023-24 than in 2022-23 and remained close to its budget for the year, with FWH's revaluation showing a decrease in asset values. The Corporate Director of Finance and Resources asked the i4B/FWH Finance Team to review the valuation methodology and results, as it would be expected that valuations for both companies would move in the same direction in a given year.

3.4.17. *Risk*

3.4.18. The Shareholder asked what i4B/FWH directors felt were the key risks to the company. These principally related to the operational performance areas highlighted elsewhere in the report, for which improvement plans are in place.

4.0. Stakeholder and ward member consultation and engagement

4.1. N/A

5.0. Financial Considerations

5.1. Financial considerations are outlined in the appendices.

6.0. Legal Considerations

6.1. N/A

7.0. Equality, Diversity & Inclusion (EDI) Considerations

7.1. N/A

8.0. Climate Change and Environmental Considerations

8.1. N/A

9.0. Human Resources/Property Considerations

9.1. N/A

10.0. Communication Considerations

10.1. N/A

Report sign off:

Minesh Patel

Corporate Director of Finance and Resources