

	<p align="center">i4B Holdings Ltd Shareholder Meeting 12 September 2024</p>
	<p align="center">Report from the Chair of i4B Holdings Ltd</p>
<p>Update on i4B Performance</p>	
<p>No. of Appendices</p>	<p>1 – i4B Risk Register</p>
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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 acquisition pipeline, financial and operational performance, risks and governance.

2.2 The Shareholder notes the update on the 2024/25 i4B Business Plan.

2.3 The Shareholder considers potential further loan funding provision to i4B for the continuation of its acquisition programme.

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 Cabinet agreed i4B’s 2024/25 business plan in March 2024. Priorities for the year are set out with the framework of the strategic objectives of the Housing Companies (i4B and First Wave Housing (FWH)):

- 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

3.3 i4B is on track to purchase circa 40 properties in 2024/25, above its target for the year of 25. This will use up the majority of the company’s available loan funding.

3.4 In the 2023/24 financial year, the company made an operational profit (excluding depreciation, revaluations and tax) of £1.393m compared to £0.853m in 2022/23.

3.5 Operational performance for i4B is generally stable with the main focus for performance improvements continuing to be void turnaround times and rent collection – a number of improvement initiatives are in place to address this. The results of tenant satisfaction surveys were disappointing, and i4B is looking at how to address this.

3.6 This report provides an update on progress of the 2024/25 business plan priorities so far, including operational & financial performance, acquisitions and risks.

4.0 Update on Purchasing

4.1 As of the start of September 2024, i4B has purchased 456 private sector homes and switched the tenure to an affordable PRS product. Table 1 provides a breakdown of the current i4B portfolio.

Table 1 – i4B portfolio as of September 2024

	1 Bed	2 Bed	3 Bed	4 Bed+	Total
Purchased Properties	62	195	144	55	456

4.2 For 2024/25, i4B has a street property acquisition target of 25; as of September 2024, i4B have purchased 15 street properties with a further 16 in conveyancing and due to complete by the end of the financial year. In addition, i4B has recently acquired a new build development of nine units in Brent, which have now been handed over and are due to be mostly let by the end of the week of 02/09/2024.

4.3 The full pipeline of 40 puts the company ahead of its target for the year, and also commits the majority of current loan finance available to the companies that was previously drawn down at a 3.45% interest rate.

4.4 Further to this, i4B has agreed the acquisition of five units in Brent as part of a portfolio purchase opportunity. To facilitate this, additional loan funding of £2.202m (purchase price plus estimated refurbishment cost) is being arranged between the Council and i4B at current interest rates. i4B is also

provisionally appraising various acquisition opportunities, including specific opportunities from owners in the borough looking to sell.

- 4.5 As i4B is due to use its remaining funding by the end of the financial year, the Shareholder is asked to consider and provide feedback on potential future funding to i4B, for such unique larger opportunities as in 4.4 and/or for the overall continuation of the street property acquisition programme.

5.0 Financial Performance

- 5.1 In the 2023/24 financial year, i4B Holdings Ltd, made an operational profit, (excluding depreciation, revaluations and tax), of £1.393m compared to £0.853m in 2022/23. Void turnaround times and low-income collection rates remain the key drags on financial performance. The purchase programme for 2023/24 was above target by 4 units, as the target for 2023/24 was 12 units.

5.2 Summary Financial Outturn

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

- In the 2023/24 financial year, i4B made an operational profit, (excluding depreciation, revaluations and tax), of £1.393m compared to £0.853m in 2022/23.
- Financing costs remain the same as 2022/23 as there was no further drawdown of loan facility. However, interest received increased by £659k as interest rates on cash balances increased.
- Rent turnover, after voids, for the year is £9.062m; this is an adverse variance of £609k against budget. Contributing to the adverse variance was the overstating of rent and service charges income and rental income on acquired properties which was only for part of the year and not the full year. Void losses are largely in line with budget for the year, at an adverse variance of £3k.

Table 2 - Financial Outturn 2023/24

i4B 2023/24 Outturn	Budget 23/24	March 24 Forecast	March 24 Outturn	Variance to budget	Variance to forecast
	£,000	£,000	£,000	£,000	£,000
Income	9,671	9,611	9,062	(609)	(549)
Expenditure	(3,682)	(4,749)	(3,573)	109	1,176
Surplus on disposals	0	0	47	47	47
Financing	(5,292)	(4,143)	(4,143)	1,149	0
Profit (Loss) before tax, revaluations and depreciation	697	719	1,393	696	674

5.3 Income and Expenditure Statement

5.3.1 Profit excluding depreciation, revaluations and tax is £1.393m compared to £0.853m in 2022/23.

5.3.2 The key changes compared to the prior year were:

- Increased income due to annual rent increase and property acquisitions during the year.
- A positive revaluation gains due to increases in the property values market.
- Financing costs remained the same as 2022/23 as there was no further drawdown of loan facility. However, interest received £1.149M, 2023-24 increased by £659k, (£489k, 2022-23).
- Service Level Agreements (SLA) - expenditure was higher than budget by £89k, which was due to additional variable costs of the Housing Management Call Centre as well as a portion of the Operational Manager's costs.
- Supplies and Services expenditure for 2023/24 was £78k, £77k higher than budget, (£1.5k).
- Annual Maintenance and Home Countries Management Costs expenditure for 2023/24 was £1.63m, £647k higher than budget, (£990k).
- Insurance, Legal and professional expenditure 2023/24 was £314k, £125k higher than budget, (£189k).

Statement of comprehensive income for the year ended 31st March 2024

	2023/24	2022/23
	£000	£
Turnover	9,464	8,688
Cost of sales	(403)	(338)
Gross profit(loss)	9,062	8,350
Administrative expenses	(3,574)	(2,771)
Depreciation	(543)	(519)

Surplus on disposals	47	30
Surplus (Loss) on revaluation	8,955	5,825
Operating Profit	13,948	10,914
Interest Received	1,149	490
Interest payable and similar charges	(5,292)	(5,216)
Profit on ordinary activities	9,805	6,188
Tax on Loss on ordinary activities	(3,149)	(2,096)
Profit (Loss) on ordinary activities after taxation	6,656	4,092
Unrealised Gain (Loss) on Property Plant and Equipment	(1,980)	2,893
Deferred Tax charge	(631)	(593)
Total Comprehensive Income for the year	4,045	6,392

5.4 2024-25 Financial Update

5.4.1 The current year to date financial forecast as at 31st July 2024 for i4B is as follows:

<u>i4B 24/25 July Forecast</u>	Budget Full Year (£'000)	Variance Full Year (£'000)
Income	11,021	(546)
Expenditure	(3,743)	0
Financing	(5,292)	0
Profit (Loss) before tax, revaluations and depreciation	1,986	(546)

Income

5.4.2 Forecast Gross Rental Income for the full year is calculated, based on the estimated collection rate (95.1% of budgeted income).

Void Rent Loss

5.4.3 Forecast void loss has been calculated at £443k for the year based on Brent housing data only for the first 4 months. Data on void loss for Mears managed properties was unavailable at the time of publication. The forecast will be updated once data becomes available.

Operating Costs

5.4.4 Forecast spends on operating costs are based on budget and will be updated once data becomes available. Certain areas of expenditure such as Leasehold Service Charges and Property Maintenance Costs show a surplus earlier in the year with billing picking up later in the year. Financing costs related to interest payments are fixed.

5.4.5 The i4B Holdings Ltd 30 Year business plan approved earlier this year projected an overall profit before tax for the last year in the model (2053/54) of £8.999m.

6.0 Operational Performance

6.1 For i4B, the majority of housing management services are carried out by Brent Council's Housing Service via a Service Level Agreement or by Mears (for the Home Counties properties): the Board of i4B have a responsibility to monitor and drive good performance and do so on an ongoing basis including via monthly performance reports. Operational performance for i4B is generally stable with the main focus for performance improvements being void turnaround times and rent collection. Tables 3-5 provide an update on current operational performance.

Table 3 – i4B Key Performance Indicators

Indicator	Target	i4B Brent Managed	i4B Mears Managed	Council
Overall Customer Satisfaction (TSM data year end 2023/34)	N/A	40%	Data unavailable	52%
Rent Collection	98.5%	90.3%	91.9%	98.01%
Major void re-let times	72 days	154 days	Data unavailable	255 days
Minor void re-let times	35 days	50 days	Data unavailable	170 days

Properties with a valid gas safety certificate	100%	100% 320/320 properties	100% 69/69 properties	100%
Blocks with a valid Fire Risk Assessment	100%	100% 3/3 blocks	100% 1/1 blocks	99.82%
Properties with a valid electrical safety certificate	100%	81.4% 465/571 properties	96.1% 73/76 properties	93.64%
Emergency repairs completed within 24 hours	100%	100%	96.5%	Data unavailable
Urgent repairs completed within 7 days	95%	100%	Data unavailable	Data unavailable
Routine repairs completed within 28 days	95%	100%	97.6%	Data unavailable

6.2 Acquisitions

6.2.1 As outlined in Section 4, i4B has continued its purchase programme in 2024/25 and brought its total stock to 456 units.

6.3 Customer Satisfaction

6.3.1 i4B is working to improve tenant satisfaction and monitors this regularly. During 2023-24, new tenant satisfaction measures were implemented and some transactional feedback from tenants was received. The findings of the survey reveal that overall satisfaction with i4B has decreased, with areas such as repairs, tenant engagement and neighbourhood management presenting particular concern. The board has discussed this in detail, and the results are being examined to identify and carry out specific actions to improve tenant satisfaction. The Board compared performance with First Wave Housing and Brent Housing generally, and has asked for benchmarking information with other London councils. The Board will be returning to this issue in October.

6.4 Rent Collection

6.4.1 The year-to-date rent collection figure is 90.3%, which falls well below the target of 98.5%. Collection figures during the first part of the year were negatively impacted by delays in Universal Credit processing following the annual rent increase. This is because the responsibility falls on tenants to report their updated housing costs to ensure their payments are adjusted accordingly. Once resolved, collection rates are expected to improve to at or above the 2023-24 collection rate of 95.1%.

6.5 Voids

6.5.1 Voids remain a significant challenge, and the Board will be holding a deep-dive discussion on voids performance in the early autumn.

- 6.5.2 Void turnaround times have improved during Q1 of 2024-25, though difficult individual cases continue to impact overall performance figures, especially as sample sizes are small. One key improvement initiative has been the commissioning of a voids pilot, where circa 10 voids would be assigned to a smaller contractor to evaluate whether there was a reduction in turnaround times or costs. While the pilot is still ongoing, initial feedback has been positive, and a more detailed report will come back to the Board in the autumn.
- 6.5.3 Additionally, i4B engaged external consultants to review the accuracy of the specification and charging of i4B’s voids, which has led to process improvements being made.
- 6.5.4 Challenges such as pest control and delays from third-party freeholders in completing communal repairs are particularly impactful. These external factors often extend the time it takes to return properties to a lettable standard. To mitigate these delays, we have strengthened our tracking and monitoring processes, ensuring that voids are closely managed through regular meetings and detailed performance reports.
- 6.5.5 Table 4 shows the current number of void and occupied properties. Currently, 35 of the company’s 456 PRS properties and four properties at Lexington are void. Of the 35 PRS properties, 21 are recent acquisitions (including the 9 units at Tailor Court and Creeks Mews) and 14 are re-let voids (including four Home Counties properties). The increase in both void and occupied PRS properties is driven by new acquisitions within the year.

Table 4 – Refurbishment and Lettings

Refurbishment & Lettings	Performance at February 2024	Performance at September 2024
Properties Let	PRS: 405 Lexington:149 Total: 554	PRS: 421 Lexington: 149 Total: 570
Properties void	PRS: 23 Lexington: 4 Total: 27	PRS: 35 Lexington: 4 Total: 39

- 6.5.6 As of July 2024 i4B has housed and discharged the Council’s housing duty to 473 families and 1075 children. The majority of these families were previously housed in stage one TA. The number of families housed is higher than i4B’s PRS portfolio due to a number of families moving on to other accommodation, with new families moving in.

Table 5 – Breakdown of families accommodated by i4B as of July 2024

Previous Accommodation	No. of Families	No. of Children
Direct to i4B	116	216
Women’s Refuge	2	15
TA Stage One – B&B	316	724

TA Stage Two - Leased	39	120
Total	473	1075

6.6 *Repairs*

6.6.1 In the year to date, 100% of all emergency repairs have been responded to within 24 hours. Although current performance for urgent and routine repairs is stable, this has fluctuated over the last 12 months. The Board will receive benchmarking information to compare i4B with the rest of the Council and other housing providers in London and beyond in October, to support efforts to improve and stabilise performance.

6.7 *Health & Safety Compliance*

6.7.1 Aside from a number of outstanding electrical safety certificates (EICRs), i4B have achieved full compliance in all relevant areas. On EICRs, the problem in most cases is gaining access to the property: the legal process to gain access continues to be followed for each outstanding certificate. Unlike for gas certificates, it is not possible to force entry to properties that refuse access.

6.8 Mears currently provide housing management, repairs, compliance and voids management services for 75 properties in the Home Counties. The overall performance has been generally in line with Brent. However, void turnaround times are consistently out of target. Part of the reason for this is the difficulty in letting properties to families wishing to remain in Brent. This contract is due to go out to re-tender in the autumn in line with planned timescales.

6.9 *Wider Support for Residents*

6.9.1 The board has taken an interest in the wider support to tenants and in the role the companies play. They will be receiving a report shortly on the employment support from BEAM, and considering other possible support, in liaison with other council services. The companies also consulted partners to ensure that the Lexington key worker accommodation was still focused on priority occupations.

7.0 **Update on Risk**

7.1 The i4B risk register outlines the main risks the company faces; these are detailed below:

- Poor rent collection performance due to unaffordability of rent for tenants
- High void turnaround times, costs and rent loss lead to financial losses for i4B
- High capital programme costs, including stock condition and energy efficiency expenditure, adversely affect the company business plan
- Company cash flow (capital and revenue) is insufficient to manage expenditure

- i4B does not effectively manage its contract for the remote management of Home Counties properties, leading to poor performance and risk to tenant satisfaction

7.2 The Company's risk register is reviewed on a quarterly basis. 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, and the format of the register has been updated to make the connection between actions and anticipated risk scoring clearer. A recent risk scanning exercise carried out at the July Board meeting has highlighted areas for greater focus in future iterations of the risk register from October.

7.3 As a result of mitigating actions, a number of risk scores were reduced at the last Board review in July 2024.

8.0 Progress of the 2024/25 Business Plan

8.1 An update on the progress of key tasks within the 2024/25 i4B business plan is provided for each of the company's long-term strategic objectives below.

8.2 Providing a consistently good housing service

8.2.1 This objective relates to improving tenant satisfaction, ensuring tenants are able to afford their rent and sustain their tenancies, and overall providing an effective and consistent housing service.

8.2.2 During 2023/24, new tenant satisfaction measures were implemented and some transactional feedback from tenants was received. While the initial results were in line with Council benchmarks, they fell short of the levels we would have liked to achieve. The companies are actively working to improve these outcomes with regular monitoring and collaborative work with the Quality Assurance and Standards Manager to implement an improvement plan that focuses on making tangible changes to enhance tenant experiences. One of the key initiatives is the development of more robust complaints reporting to better identify recurring themes and areas for improvement, with the company-specific reporting set to begin in October 2024.

8.2.3 The Housing Companies Tenant Services Managers are also increasing their contact with tenants through more frequent phone communications, as well as conducting home and estate visits. These efforts will build stronger relationships with tenants and ensure that any concerns are promptly addressed.

8.2.4 Additionally, i4B are in the process of re-tendering the Home Counties contract, with a focus on refining the contract specifications and management arrangements. These improvements are intended to enhance the quality and efficiency of the services provided, ensuring that our housing operations consistently meet the needs and expectations of our tenants.

8.3 *Delivering safe and sustainable homes*

- 8.3.1 This objective involves ensuring that homes are of a good quality, safe, legally compliant, and environmentally sustainable.
- 8.3.2 During 2022-23, i4B and FWH commissioned an audit of their health and safety compliance arrangements, managed primarily through its Service Level Agreement with Brent Housing Service. The audit identified potential risks to health and safety compliance including a lack of detailed oversight. In response, Brent's Housing Management Service (HMS) have adopted the True Compliance system for long-term monitoring and reporting of compliance across all areas, and this system has now been fully implemented and is used for performance reporting to Board. Health and safety compliance across the portfolios remains strong.
- 8.3.3 i4B is focussed on ensuring that its housing stock not only meets current safety standards but also aligns with future sustainability goals. Addressing disrepair is a key priority, and we have taken proactive measures to identify and rectify potential issues early on. This approach is critical in safeguarding the health and wellbeing of our tenants.
- 8.3.4 In response to the Building Safety Act 2022, i4B have prepared a comprehensive building safety case for Lexington; a higher risk building over 7 storeys. This ensures that we are fully compliant with the new regulations, reflecting our commitment to tenant safety.
- 8.3.5 Furthermore, the companies are developing an asset management strategy. A significant focus of this strategy is on improving the energy performance of our housing stock, with the goal of bringing all properties up to a minimum EPC C rating, to achieve the government's 2030 target. This initiative is essential for both maintaining the value and quality of assets and supporting broader sustainability objectives and is expected to bring health and financial benefits to tenants.

8.4 *Running a viable business*

- 8.4.1 This objective relates to improving i4B's operational and financial performance in order to remain financially viable and thus continue to bring benefits to the Council.
- 8.4.2 The key operational issue for i4B and FWH is high void times. Efforts to manage and reduce voids have faced several challenges. One issue is the difficulty in letting Home Counties properties to accepted Brent homeless applicants, who often prefer to remain within the borough rather than relocating further afield. Additionally, delays caused by third-party freeholders in completing necessary repairs have further impacted our turnaround times for voids. As set out in the section on operational performance, a number of improvement actions and projects are in place, which will be brought together in a deep-dive session led by the Board to identify further opportunities for reducing void times and rent loss.

8.4.3 An internal audit of the financial controls and billing arrangements for the Companies was carried out in May 2024. Several areas for improvement were identified and recommendations have been implemented:

- Lack of oversight of legal disrepair claims – there was inadequate communication regarding disrepair claims, leading to situations where the companies were unaware of claims until they are resolved. To improve oversight, officers working for the companies have worked with the Council’s Legal section to introduce a monthly performance report in addition to the quarterly report that is already in place. This new report provides a comprehensive overview of open and recently closed cases, including progress and costs.
- Oversight and inspection of void works – following the audit, direct billing between the companies and Wates has been introduced to improve financial monitoring and forecasting. Additionally, an action log has been introduced into the bi-weekly i4B/FWH voids meetings, detailing owners and target resolution dates for any follow up actions set.
- Council tax billing processes – following improvements recommended in the audit the companies have worked with the Council Tax team to develop a clear and effective process for reviewing and paying council tax liabilities. This process has been formalised in a procedure document to ensure consistency and clarity.
- Lack of policies and procedures – there was previously no comprehensive documentation outlining the billing and management processes for legal disrepair, council tax, or void repair work outside of the SLA between the Council and the companies. The companies’ management team has drafted and circulated process notes that clearly outline the roles, responsibilities, and arrangements for managing and monitoring new voids, council tax, and disrepair cases.

8.4.3 During 2023/24, the Board approved a value for money strategy for i4B and FWH, with focus on improving performance levels, efficiencies and outcomes for tenants and other stakeholders in the following key areas:

- Voids performance
- Income recovery and arrears management
- Asset management and energy efficiency
- Housing management costs
- Tax efficiency
- Value for money for tenants

8.4.5 Improvement plans and actions in these areas are closely monitored by the Board through dedicated quarterly reports.

8.5 *Increasing the supply of affordable housing in the borough*

8.5.1 i4B is on track to exceed its acquisition targets for 2024/25, which will include the company using the majority of its available loan finance; please see Section 4 for further detail on this.

9.0 Update on Governance

9.1 Alongside its monthly internal Board meetings and twice-yearly meetings with the Council as Shareholder, i4B reports every six months to the Audit and Standards Advisory Committee (ASAC) on risks, operational & financial performance, and progress in implementing the company's business plan.

9.2 On 4 September 2024, i4B also presented a report to the Resources and Public Realm Scrutiny Committee on how effective it and First Wave Housing have been as investment decisions for the Council in achieving its key strategic priorities. Cabinet representatives noted that the housing companies had performed effectively in delivering for the Council, particularly in the number of families housed and the associated cost avoidance of expensive Temporary Accommodation, and the Committee asked the companies to ensure they were doing as much as possible to increase housing supply.

9.3 Although not formally regulated, 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. i4B has commissioned an updated market rental assessment to ensure full compliance with the Rent Standard. The company is also working closely with Council colleagues on assessing against and responding to the Regulator's newly introduced consumer standards.

9.4 i4B also uses the Council's Internal Audit service to carry out audits on areas where it is seeking additional assurance. The most recent audit focused on financial billing arrangements in the areas of void refurbishments, legal disrepair cases and Council Tax, with process improvement recommendations now implemented.