



BUSINESS PLAN 2018/19

AND FORWARD INVESTMENT PROPOSALS 2018-2023





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**i4B Holdings has
been established to
contribute to reducing
homelessness, provide
affordable, good
quality homes, and
invest to deliver
regeneration**





1. The purpose of the company

- 1.1 i4B Holdings Ltd (i4B; the company) has been established to contribute to reducing homelessness, provide affordable, good quality homes, and invest to deliver regeneration and financial benefits for its sole shareholder, Brent Council (the council).
- 1.2 Brent Council has one of the highest numbers of households in Temporary Accommodation (TA) in England. For Quarter Two of 2017-18, the council reported having 2,542 households living in TA, the fourth highest of all housing authorities in England. The council, against the overall London trend, has managed to dramatically reduce the number of households in Bed and Breakfast accommodation from a peak of 242 households in Q2 2014-15 to 33 for the same quarter in 2017-18 – an 86% reduction. However, there are still too many households in temporary accommodation which is inadequate for families' needs.
- 1.3 On 14 March 2016, Brent Council's Cabinet approved the council's TA Reform Plan, as a response to this challenge. One of the main measures outlined in the Plan was for the council to acquire a large portfolio of Private Rented Sector (PRS) accommodation, which would be professionally managed and in which costs could be protected against

rental inflation. It was intended that the council acquire properties, either directly or through partner delivery agents, to be let as long-term PRS properties at Local Housing Allowance (LHA) levels to prevent homelessness or end a homelessness duty.

- 1.4 The primary purpose of the company is to deliver the housing options defined in the TA reform plan. However, the Board of i4B has limited discretion to let properties at affordable rents, higher than LHA rates, where it is affordable for the tenant household and provides additional funding stability for the company. The total mix of properties that may be let at greater than LHA rates is 25% of the portfolio, which may be flexed by prior agreement with the shareholder's representative.
- 1.5 The company has carried out business development activities, researching new ways and opportunities to support the achievement of the council's wider objectives. Some ancillary expenditure towards this purpose is outlined in this business plan.

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2. The benefits of operating as a company

- 2.1 As a wholly owned, Local Authority company, i4B operates at 'arms-length' from Brent Council, with the remit of providing affordable PRS accommodation to households for which the council has a responsibility.
- 2.2 i4B has discretion over the individual properties it acquires provided that:

- They are in a suitable location for the council to comply with its duty under the Homelessness Suitability of Accommodation Order of 2011
- They are within the affordability criteria set out in the company investment plan and Capital financing agreement with the council
- The rental income will be broadly equivalent to the relevant Local Housing Allowance

- 2.3 The company's core business plan anticipates a financial breakeven position over 30 years. However, i4B will explore commercial ventures, which may include growth, diversification or higher-yielding businesses/investment, to support the business in the medium and longer term and importantly maximise its contribution to the council's vision of 'making Brent a great place to live and work'.





3. The structure of the company

- 3.1 The company is limited by shares, initially providing affordable homes for households who might otherwise be housed in temporary accommodation.
- 3.2 The company is called i4B Holdings Limited.
- 3.3 The company's registered office is:
Brent Civic Centre,
Engineers Way,
Wembley
HA9 0FJ
- 3.4 The company's Memorandum of Understanding, Articles of Association, and Shareholders Agreement are as set out in the relevant documents.
- 3.5 The Board of the company is chaired by independent voting Director Martin Smith. The other directors of the company are:
- Councillor George Crane;
 - The Strategic Director of Community Wellbeing (Phil Porter); and
 - The Director of Performance, Policy and Partnerships (Peter Gadsdon)
 - Independent board member with expertise/experience in housing/property to be appointed.

- 3.6 The company has a Service Level Agreement with Brent to provide a range of services to support the company's operations, including:
- Corporate and Financial services
 - Property purchasing and refurbishment
 - Housing management.
- 3.7 As the business grows, the company will purchase under contract, either from the council or via procurement, such other services as may be required to discharge this business plan or council-agreed supplementary business cases.

The company provides affordable homes for households who might otherwise be housed in temporary accommodation





4. Performance to date

- 4.1 The company was first registered in December 2016, with the company name changing from "Investing 4 Brent" to "i4B Holdings" in July 2017. The company has set up bank accounts for both capital and revenue purposes and has received permission from the council as stakeholder to align its year end accounts with those of the council. During 2017 i4B also agreed a £2.3m contract with the council to provide services to the company up to 2021.
- 4.2 Currently, the core business of the company is as a PRS landlord accepting homeless nominations from the council to provide good quality homes and to discharge the council's duty. As of 2 January 2018, the pipeline of properties to deliver the council's target of 300 properties is strong with 251 properties either purchased (86), in conveyancing (84) or approved by the PRS panel and under negotiation (81).
- 4.3 The PRS programme set out to provide 300 units of good quality private sector accommodation for the council to nominate homeless households to. The programme has been profiled to achieve this target over 30 months instead of 24 months and the current programme of acquisitions aims to be complete by September 2018, with all properties refurbished and let by 31 December 2018.
- 4.4 Clearly, the programme extension of six months means that opportunities to support homeless families and save revenue costs are delayed, reduced or lost.
- 4.5 Using a calculation based on the current blend of costs relating to the council use of temporary accommodation, the annual revenue cost savings to the council would be circa £900k per annum. The longer delivery date has meant circa £250k of revenue savings benefit to the council have been delayed.
- 4.6 In the 2017 Business Plan, the period between the acquisition of properties and the time at which they are let was estimated at three months. To date, this figure has actually been closer to five months with an obvious adverse effect on the finances of i4B. This is discussed further in Section 9.
- 4.7 i4B's business model is highly sensitive to changes in gross yield. Assuming a fixed rental income (i.e. assuming debt supportable remains fixed), a reduction in yield of 0.25% is equivalent to an increase in the equity funding requirement of £7.5m (circa 8%).
- 4.8 A detailed financial model has been developed which assists company directors as a live management tool. The model may be revised to instantly reflect the impact of changes to financial assumptions within the business plan, providing Board members with real-time updates on which decisions can be made.
- 4.9 To manage risks, i4B is working towards achieving an average 5%+ gross yield to ensure risks are managed. i4B has introduced a lower gross yield rate target of 4.45% for Brent properties and a minimum of 5% for non-Brent properties to ensure the Business Plan achieves its required number of homes in Brent. However, i4B is acquiring properties with an estimated gross yield of 4.9% in Brent and Greater London and 5.15% in the Home Counties (5% for Brent, Greater London, and Home Counties combined).
- 4.10 The first Brent PRS property, which was a four-bedroom family house in Neasden, was let in November 2017. Of the 251 properties in the pipeline, 133 are located in Brent. The programme has over-achieved against the business plan on gross yield averaging 5.03% compared to the 4% stated in the business plan. The average cost per unit is above target at £357,000 compared to £333,000. However, to date i4B has purchased more properties within Brent (which are more expensive compared to the Home Counties) meaning the programme still remains on target to achieve £333,000 overall.

The annual revenue
cost savings to the
council would be circa
£900k per annum





- 4.11 The council's purchasing team has been successful at acquiring properties at increasingly higher yields and within Brent. As of 2 January 2018 the team has purchased or is in the process of conveyancing 170 properties, at a combined purchase price of £59.7m and at an average gross yield of 5.02%. The team also has an additional £26m of pipeline properties approved by the PRS acquisition panel and in negotiation.
- 4.12 The council has employed three external buying agents under contract. These agents are delivering a small number of lower-cost but above-average yield freehold properties. To date, ten properties have been placed in conveyancing with a value of £1.8m and a gross yield of 5.49%. An additional 23 properties valued at £5.3m are in negotiation.
- 4.13 The purchasing programme began before i4B was formed, with the council purchasing properties on behalf of the company. i4B is now purchasing homes directly, but 70 homes are in the process of a secondary sale to i4B from the council. The council has also identified empty homes which it is in the process of on-selling to i4B, creating new family homes and making good use of properties which were causing blight.
- 4.14 The portfolio pipeline reflects a 51%/49% leaseholder/freeholder split. Although many leases are in blocks which are owned by independent freeholders, the company has been successful at purchasing (via the council's property buyers) leases in Brent Council blocks and purchasing multiple leases within the same dwelling to become the freeholder as well as the leaseholder.

Table 1: Purchase and pipeline summary

	Number	Value £s (pipeline and acquisitions)	Average purchase price (target ave. £333k)	True gross yield (target 4%+)
Purchased PRS Units 2016/2017	86	£31.412m	£365k	4.97%
Pipeline PRS Units 2017/2018 (under offer and in conveyancing)	84	£28.290m	£337k	5.08%
Totals	170	£59.703m	£351k	5.02%
Other pipeline properties (not in conveyancing)	81	N/A	N/A	N/A
Remaining PRS Acquisition Budget (£100m)	130	£40.297m	£310k	4.97%





- 4.15 The portfolio now has sufficient large (four-bedroom and larger) family homes outside the borough to meet demand. Future property purchasing strategy in the Home Counties will focus on three-bedroom and smaller freehold properties.
- 4.16 Brent Housing Management will deliver a programme of refurbishment to i4B properties of a value of circa £4.5m over two years. Work is underway to improve performance timescales to ensure properties are ready to let within business plan parameters. In addition to the refurbishment delivering the i4B minimal property standard, which is a high PRS standard, the company is also delivering walk-in showers to level-access properties. This improves i4B's ability to support families with mobility needs, including those unable to be discharged from hospital due to the availability of suitable properties. i4B will continue to work with experts within the council to match its property profile and characteristics with those of Brent's customers.
- 4.17 The council's Audit Advisory Committee considered i4B's performance in September 2017, and will receive an update on the December 2017 internal audit review in March 2018.
- 4.18 The Directors consider performance information at the monthly Board meeting. To date, the main activity has been ensuring the acquisitions and refurbishments are in line with the business plan. However, as the properties are now being let, the Board has established a wider range of performance indicators which will allow i4B to be managed effectively. See Section 11 for a full list of Key Performance Indicators (KPIs).

- 4.19 The establishment of a comprehensive Service Level Agreement (SLA) between i4B and the council has enshrined service standards, expectations of performance, and resources. Bi-monthly client meetings have been established between i4B and the council to monitor adherence to the business plan and the SLA.
- 4.20 The company does not yet have enough data to provide accurate performance information for housing management aspects of the business. However, performance data is available from the purchasing stage to the letting stage (see Table 2).

The company is also delivering walk-in showers to level-access properties to improve i4B's ability to support families with mobility needs




Table 2: Actual Performance against Key Performance Indicators (KPIs)

KPI	Measure	Target and frequency	Actual performance (2nd January 2018)	Mitigating Action
Gross property yield	Annual rental income as a % of the property purchase price	5% Monthly	4.97% (86 purchased properties)	Performance is close to target. The next 84 properties in the pipeline average 5.08% – an average for the first 170 units of 5.02%. The PRS acquisition panel will continue to manage property purchase to achieve target.
Average portfolio purchase price	Average cost of a portfolio property including works, SDLT, fees and VAT	£333,333 Monthly	£365,000 (86 purchased properties)	The portfolio has over-achieved in the number of larger family homes and purchases in high and medium value areas. The next 84 properties in the pipeline average £337,000 – an average for the first 170 units of £351,000. The purchase of 150 units in the home counties will achieve target. However the business plan recommends purchasing more properties in Brent and greater London and fewer in the Home counties (180/ 120). This will cost an additional £3.5m. However, the gross yield will remain at the 5% overall target.
Acquisitions: conveyancing periods	Period in weeks from PRS panel approval to property purchase. Includes valuation and conveyancing.	13 weeks Monthly	20	The in-house and an external firm of solicitors are now providing conveyancing services. The council is piloting in December and January a black box financial payment approval system aimed at replacing paper approvals with electronic approvals. The SLA service standards will be reviewed formally on a bi-monthly basis.
Acquisition: Achieving the agreed programme	Number of properties purchased	200 by 31st March 2018 300 by 30th Sept 2018 Monthly	170 properties are purchased or in conveyancing (2nd January 2018) and these should be complete by April 2018	The timescales for acquisitions have lengthened above SLA targets. 230 properties should be complete if SLA standards are achieved. There are 81 properties in negotiation additional to the 170 units. These negotiations will be encouraged to be completed swiftly to allow the target to be achieved. The SLA service standards will be reviewed formally on a bi-monthly basis. However the PRS panel meet with property buyers weekly. External buyers have had their localities increased to maintain momentum.
Refurbishment- keys from purchase to contractor, quotes, works, compliance certification, handover ready to let	Period from keys received from acquisition to refurbished property compliant with i4B handover checklist. This period includes quotes and certification	1st 100 units = 70 days 2nd 100 = 64 days 3rd 100 = 56 days Monthly	9a 200 days (based on 38 refurbished properties)	Weekly meetings are held with the refurbishment team; recruitment of surveying staff is taking place; weekly meetings with works contractors; performance targets of contractors from purchase to refurbishment are being monitored; pre-purchase surveys and quotes to be introduced from February 2018; refined approach to completion of compliance handover packs.
Letting	Period from notification of fully compliant handover following refurbishment to property letting (discharge of duty) or property refusal (discharge of duty)	7 days Monthly	16 days	The lettings process is being analysed and initial concerns relate to low demand from homeless families in emergency accommodation for large four-bedroom units in the home counties. An action plan has been proposed to resolve demand matters for large home county properties and properties of all bedroom sizes located the furthest distance away from Brent. i4B is seeking permission to increase the proportion of properties in its portfolio located in Brent.



5. Benefits analysis of the PRS acquisition programme to date

- 5.1 The company's purpose is to support the council in achieving its vision of making Brent a great place to live and work.
- 5.2 There are five areas which can be measured to support the company's contribution:
- Helping the council achieve its strategic objectives
 - Reducing the council's revenue cost through i4B investing in new products and delivering services in new ways
 - Income generated to the council through 'on-lending' capital to the company
 - Supporting the council to retain and grow skills and invest in the expertise of those who deliver services
 - Investing in assets that will appreciate their capital value over the medium-and long-term.
- 5.3 Although the programme has not delivered new housing supply, it has been successful in purchasing private sector homes and switching the tenure to an affordable private rented product. 300 new affordable homes will be created by December 2018.

- 5.4 Through the SLA contract with i4B, the council has been able to sustain and in some service areas increase staffing budgets. Examples of where the council has been strengthened with additional capacity or new skills include the property team and legal services, where an additional five posts have been created.
- 5.5 The council is able to borrow funding at preferential rates which it is then able to lend on to the company at a higher rate. For every £10m borrowed by the company, the council receives £30k per annum as net interest income. Should the company deliver products which are not sub market housing products, net interest income would be higher, but so would costs. A non-utilisation fee is also paid by the company for the loan facility and early redemption fees would also apply.
- 5.6 Although the council is investing capital to reduce revenue expenditure, it can also consider the capital outlay as a medium-and long-term investment. The housing market has historically provided good levels of investment growth. Capital appreciation of 4% per annum has been the average for over 20 years. A very conservative forecast of 1% would lead to growth of £3.5m over 30 years for every £10m invested. If a 3% forecast was predicted, there would be growth of £14m over 30 years for every £10m invested.

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Table 3: Benefits generated through the current PRS acquisition programme 2016-18

New affordable housing	300 more affordable homes allowing homeless families to access settled affordable housing
Improving the quality of private rented sector accommodation	300 more private rented homes complying with a good standard of quality and management.
Returning long term empty homes into use	Four long-term empty homes owned by the council are being purchased and refurbished by i4B and used for affordable family housing.
Supporting the diverse needs of Brent residents	i4B has agreed a mobility friendly standard with the council. Homes will have level access and walk-in showers will be installed as part of the refurbishment. Around 10% (30) of i4B properties will achieve this standard helping provide more suitable accommodation for some homeless customers and making a contribution to hospital discharges.
Reducing the use of emergency accommodation to support homeless households	£840,000 based on the council reducing its emergency accommodation need by 30 units and diverting 60 families from emergency accommodation to i4B homes.
Reducing the use of Temporary Accommodation supporting homeless families.	£1,076,400 based on i4B offering 318 families which would have been accommodated in TA at £23 per week cost to the council for a minimum of three years.
Additional income to the council for on-lending	£300,000 per year based on i4B borrowing £100m at a 0.3% on borrowing rate. £1m set up fee plus other fees relating to early redemption.
Capital appreciation	Capital appreciation as a result of investing £100m in property over 30 years is difficult to predict, but is likely to benefit the council.



6. New opportunities

- 6.1 The initial business plan for 2017/18 anticipated a financial breakeven position over 30 years. However, the company wishes to strengthen its financial position through a variety of mediums including growth, diversification, and higher-yielding investments.
- 6.2 The company needs to grow and diversify its business operations to strengthen the balance sheet, spreading risk and thereby increasing capacity to do more for Brent. Growth and diversification would help mitigate risks associated with income, for example by diversifying the customer base accessing the company's services. A continuing focus on the commercial needs of the company will make a strong business in the short, medium and longer term and provide more opportunities for the company to accelerate and increase its contribution towards the council's vision of *'making Brent a great place to live and work'*.
- 6.3 The Board has considered its current PRS business alongside a number of diversification and growth opportunities to strengthen and grow the company in the short and medium term.
- 6.4 The key areas of opportunity are:
- **PRS**
Continuation and expansion of the PRS landlord business from 300 units by September 2018 to 600 Units by April 2021.
- **Properties for Intermediate Rent**
Creating an Intermediate rent portfolio of 100 properties by April 2020 through the purchase of specific blocks or street properties and through flexible tenure management of its PRS stock.
 - **Strategic Investments**
The company is exploring the benefits of purchasing housing built as part of the Wembley Park regeneration, as well as empty homes projects and land purchases able to provide a meanwhile site use.
 - **New build Partnership with the council (on council owned sites)**
The company is exploring the opportunity of a partnership with the council to maximise the opportunity to invest in council land and assets to deliver housing and investment return. Immediate opportunities exist to deliver new HRA and PRS homes.
 - **New Build Partnership with the council and Registered Providers (RPs) on commercial sites** – the company may create Joint Venture (JV) partnerships with the council and RPs to purchase commercial sites in the Borough for affordable and PRS housing. Immediate opportunities exist with a number of RPs and on a number of sites.
 - In addition, the company will work with the Shareholder to look at the optimum structure for council-owned housing companies, including i4B and First Wave Housing.
- 6.5 This business plan discusses in more detail these opportunities to strengthen and diversify. Most of the proposed growth involves using the current financial model with a focus on new products, growing the portfolio to share costs between more units and improving average gross yield to increase the financial margin available to the company. This business plan will build on what has already been delivered, and is therefore using the 300 units purchased by the company during the initial business plan period as a basis. Growth of up to 723 units by March 2021 (Table 5) is suggested, bringing the total number of units to 1023 by March 2021. These opportunities will allow the company to develop so that it can do more to deliver the objectives set out in 1.1. The Board has commissioned further work to develop the opportunities set out in this business plan and will consider detailed business cases for individual proposals. The cumulative cost of delivering all opportunities in the business plan is £253m, but £40m will be recovered through capital receipts (see Shared Ownership column – Table 6).
- 6.6 The company aims to purchase an additional 300 properties over a three-year programme

**The company needs to
grow and diversify its
business operations to
strengthen the balance
sheet, spreading risk and
thereby increasing capacity
to do more for Brent**





(100 by April 2019, 300 in total by April 2021 – at a cost of between £103m and £116m). This would bring the overall number of purchased properties to 600 by April 2021. The location of these additional 300 units could be weighted 100% in Brent at a cost of circa £116m (plus £3.5m extra funding for PRS 1) or weighted 60% Brent and 40% Home Counties at a cost of circa £103m (plus £3.5m extra funding for PRS 1). The gross yield for both options would be similar with 100% Brent purchases achieving circa 4.95% and the 70/30 split achieving 4.89%.

Table 4: Business Plan timeline – company aims by year

Year 1 (2018/2019)	The company aims to commence the second PRS acquisition scheme and:	Purchase 28 intermediate rent units (£10m investment 2018/2019).
		Commence pre-works and consultation on a new build development with the council on council land.
		Enter into a JV in relation to at least one site circa 80 units, of which 40 units are owned by i4B and 40 units are owned by the RP.
Year 2 (2019/2020)	The company will continue to develop its portfolio and partner with the council and other organisations in the delivery of new homes, and:	Purchase 72 intermediate rent units (£25m investment 2019/2020).
		Commence new build pilot development with the council (30 unit scheme).
		Commence delivery of the first JV and enter new JV agreements (40-50 i4B Units).
Year 3 (2020/2021)	The company will continue to grow its portfolio. The company aims to purchase an additional 50 PRS properties and explore other ideas for development including:	Start an additional new build pilot development with the council (100 units over two or more schemes).
		Delivering and entering into new JV agreements.
		Purchase 153 properties to use as shared ownership (Discounted Market Sale) / intermediate rent.

**Table 5: Growth opportunities for the company (Number of units)**

	PRS properties	Intermediate Rent	Strategic Investment – Shared Ownership	New Build with council	New Build through JV	Total Number of Units
2018/2019	100	28	0	0	0	128
2019/2020	150	72	153	30	40	445
2020/2021	50	0	0	100	0	150
Total	300	100	153	130	40	723

Table 6: Growth opportunities for the company (Costs)

Year	Rental options		Strategic Investment: Cost Range for Two Shared Ownership Options			New Build Costs		Total Cost Range (Net of Capital Receipts)
	PRS 1 and 2 Cost Range	Intermediate Rent	Gross Cost	Capital Receipts Range	Net Cost Range	With council (Range for Two Options)	Through JV	
2018/2019	£4m to £24m	£10m	-	-	-	-	-	£14m to £34m
2019/2020	£0m to £60m	£25m	£30m	-	£30m	£8m to £19m	£8m	£71m to £142m
2020/2021	£0m to £37m	-	£30m	(£10m) to (£20m)	£10m to £20m	£0m to £25m	£5m	£15m to £87m
2021/2022	-	-	-	(£10m) to (£20m)	(£10m) to (£20m)	-	-	(£10m) to (£20m)
Total Cost Range	£4m to £121m	£35m	£60m	(£20m) to (£40m)	£20m to £40m	£8m to £44m	£13m	£80m to £253m



7. Proposed business products in more detail

PRS Landlord – growing the core business product

7.1.1 Presently, i4B's only business is as a PRS landlord letting properties at LHA rent. Key requirements for financial stability are: loan repayment; maximising rents (i4B's only income stream); maximising property occupation/minimising voids; and managing costs (loan/management/maintenance). This must be done within a 5% gross yield margin.

7.1.2 The company has analysed the real data gathered through 18 months of purchasing activity in Brent and the Home Counties, and has become more informed about the customer base which the council is seeking to nominate for PRS housing. The analysis shows that net and gross yield margins, on average, are very close regardless of location. The primary reason for purchasing outside Brent is the budget ceiling and lower cost of properties. Given the similarity in yield margins, the company recognises an opportunity to buy a higher proportion of properties within Brent during the initial business plan period than originally proposed. To amend the weighting of properties to 180 units in Brent and 120 units in the Home Counties, an additional £3.5m is required in 2018/2019.

7.1.3 The initial business plan outlines a PRS landlord business at LHA rents. Demand for rental units in Brent is high, so i4B could grow this model from 300 to 600 units

(September 2018–April 2021).

7.1.4 Following the proposed change outlined above, the company hopes to deliver a second purchasing programme weighted with permission to purchase (1) up to 100% Brent or (2) 60% Brent/40% Home Counties.

7.1.5 The practical implementation of the PRS scheme differs from that initially suggested by the theoretical modelling. The council, in nominating customers to i4B, must always consider the most appropriate offer of accommodation available to that household on that day. This is often based on a concentric circle model where a suitable offer in or closer to Brent will always be given first. Properties within the Home Counties are therefore at risk of longer void periods. The council's Housing Needs service, with whom the blend of properties has been discussed, suggest a programme with more Brent units will better support the discharge of homelessness duty. Option (1) would cost circa £116m, creating a gross yield of circa 4.96%. Option (2) would cost circa £103m, creating a gross yield of circa 4.86%.

7.1.6 The company also wishes to introduce small block purchases and off plan purchases into its buying strategy to complement the successful purchase of street properties.

7.1.7 Key actions:

- Amend the SLA to task the Property purchasing team to continue to identify and purchase PRS units on behalf of the company either through their own resources or through external property buyers
- Amend the SLA to task Brent Housing Management to expand its housing management, refurbishment and repair responsibilities on behalf of the company either through its own resources or through external contractors


Table 7: PRS Property acquisition phase 2 (301-600 units)

Option	1: 100% Brent units	2: 60% Brent, 40% Home Counties
Number of Units	300	300
Budget 2018/19	£20m	£20m
Budget 2019/20	£60m	£60m
Budget 2020/21	£37m	£28m
Total Budget	£116m	£103m
Years of Delivery	Over 3 years – 2018/2021	Over 3 years – 2018/2021
Target gross yield	Circa 4.96%	Circa 4.86%
Risks	House price inflation during three years, causing additional inflation of the local housing market due to number of purchases; not achieving high levels of rent collection; greater proportion of leasehold properties.	Limited availability of two- and three-bedroom properties in excess of 5% gross yield; more challenging to match families to properties outside the borough.





Properties for intermediate renting

7.2.1 To strengthen and diversify the business, the company will purchase 100 properties for intermediate rent in Brent. These properties generally gain a slightly higher rent than LHA rent, and tend to attract young working professionals with low housing management needs. This means that intermediate rent households are also likely to have lower rent debt levels. Intermediate rent is beneficial to the Shareholder as it diversifies i4B's customer base, thus increasing the stability of the company's income stream. i4B's ability to be more financially self-sustaining reduces the call on council equity to support the business.

7.2.2 The intermediate rental properties will contribute towards the housing strategy target of 5,000 new affordable units in the borough over five years. Furthermore, intermediate rent units satisfy the demand for properties priced between LHA and market rent. Recent research carried out by the Cambridge Centre for Housing and Planning research has reaffirmed the need for this type of product. The experience of First Wave Housing Ltd also shows there is demand for properties at intermediate rent.

7.2.3 Properties would be acquired in blocks or as street properties to refurbish and let at intermediate rent. There is a significant opportunity through close working with developers and Registered Provider

developers to purchase blocks or a large number of units in blocks.

7.2.4 The company's intermediate renting business stream will provide and enhance the minimal property standard and/or furnish/semi-furnish the properties, increasing some costs. The company could use Brent Housing Management or procure management and repair agents for properties as the current procured services do not include finding

customers who wish to rent at market rates.

7.2.5 The council would, as with the core PRS business, benefit from on-lending and capital appreciation of its subsidiary's assets over time. The intermediate rent product should gain a higher yield per property and introduce flexibility within its portfolio. Legal advice is required to be certain that individual properties within the PRS scheme could also switch between PRS

Table 8: Intermediate rent

Number of Units	100
Budget 2018/19	£10m
Budget 2019/20	£25m
Total Budget 2019/21	£35m
Years of Delivery	Over 2 years – 2018/2020w
Target Gross Yield	Circa 5.5%
Suggested Location	Most areas of Brent will support this opportunity. The refurbishment standard and general upkeep of properties is crucial.
Risks	The letting process could result in longer void periods between lets. Increased costs in relation to the provision of furnished accommodation.



and intermediate rent to minimise risk relating to periods of low demand/failure of the council to nominate.

7.2.6 Key actions:

- i4B's intermediate rent minimal property standard to be set
- Procurement of letting, housing management and maintenance agents. The company will make use of opportunities to extend the SLA and buying into exiting management services within blocks purchased
- Amendment to SLA to task the property purchasing team to identify and purchase intermediate rental units on behalf of the company

To strengthen and diversify the business, the company will purchase 100 properties for intermediate rents in Brent



Strategic investment

- 7.3.1 The company will occasionally identify market opportunities which are time limited. These are likely to be opportunities to acquire land and property which are of strategic importance to i4B or the council. There are four examples of this type of investment.
- 7.3.2 The council has an option to purchase circa 250 properties, which are being built as part of the Wembley Park regeneration, at 72.5% of market value (see Table 9). The company is developing an i4B proposal for shared ownership and intermediate rent with the council's working group. The council will consider this opportunity alongside other options.
- 7.3.3 The i4B option includes a blend of shared ownership and intermediate rent, potentially allowing a preferential purchase opportunity for renters after five years. The first phase of investment could see the purchase of 153 units at £60m, with up to £40m of capital receipts generated from shared ownership sales (see Table 9). Current modelling assumes an initial sales model where buyers purchase a 50% share in their property. However, further modelling will take place to ascertain whether this percentage should be reduced to ensure sales.
- 7.3.4 Explore opportunities to invest in meanwhile sites for temporary or permanent uses – one

example could be to work with the GLA, the council and TFL delivering temporary accommodation on meanwhile (vacant) sites in the form of temporary modular homes. Other opportunities to invest in sites for temporary or permanent use will be explored.

- 7.3.5 Empty Homes initiative – i4B is exploring opportunities with the council's empty homes team to understand if the company's ability to invest in homes can lead to better engagement with empty home owners. In the current programme of PRS purchases, three long-term empty homes have been refurbished and new family homes created.
- 7.3.6 Strategic land acquisition – i4B is exploring how it can use its status and borrowing to invest in land to release value at a later date e.g. by supporting the council's strategic land assembly in key locations.
- 7.4.7 Purchase to sell – i4B will explore the financial benefits of selling on properties which it purchases as part of joint venture arrangements.
- 7.3.8 Key actions:
- Continue to work with the council's working group to consider the most appropriate option for the Shareholder





Table 9: Example of strategic investment (see 7.3.2/7.3.3)

	Option 1 – This option assumes 78 of the available properties are presold as shared ownership with the owners purchasing an initial 50% share. 75 properties will be for intermediate rent.	Option 2 – This option assumes all properties are presold as shared ownership with the owners purchasing an initial 50% share.
Number of Units	153	153
Budget 2018/2019	£0m	£0m
Budget 2019/2020	The peak pre-sale cost to i4B would be £58.5m, however £20m would be recovered through equity sale.	The peak pre-sale cost to i4B would be £58.5m, however £40m would be recovered through equity sale.
Budget 2020/2021	£0m	£0m
Total Budget 2018/2021	£58.5m reducing to £37.5m following sales.	£58.5m reducing to £17.5m following sales.
Years of Delivery	Over 2 years – 2019/2021	Over 2 years – 2019/2021
Target gross yield	circa 8.3%	circa 12.8%
Best Location for the Scheme(s)	Wembley	Wembley
Risks	The sales and letting process could result in longer void periods between lets. Lack of sales is also a risk. Owners may not purchase the property outright, locking i4B and council equity into the properties for an unknown length of time. Intermediate rent will not allow the council to access its equity unless a rent-to-buy scheme is provided.	The sales and letting process could result in longer void periods between lets. Lack of sales is also a risk. Owners may not purchase the property outright, locking i4B and council equity into the properties for an unknown length of time.



New build in partnership with the council – 30 New Build Homes 2019/2020 with 120 new build homes 2019/2021

7.4.1 The company aims to support the council in making unviable council-owned sites viable through a new partnership model. The model assumes i4B purchases 50%-100% of homes in selective council developments at terms set by the council, usually as leaseholder. i4B would act as a market partner, purchasing homes at circa 5% gross yield, benefitting from bulk buying, and de-risking council developments. The council would fund residual properties as social or intermediate affordable accommodation, potentially accessing Right-to-Buy receipts and HRA match funding.

7.4.2 This model works particularly well in the south of the Borough as i4B can pay more per property, thus paying a higher share of the build cost. This reduces the cost of the remaining properties which the council would normally seek to retain as social housing. The council could use Right-to-Buy receipts on any social affordable properties it retains. The company may be able to access regeneration, planning, marginal viability or GLA grants to improve the viability of the scheme, taking care not to confuse subsidy use within the scheme. The council would lead the development. The scheme would act as a good practice example of achieving high levels of affordable homes on site (50%-100%). Through this model, council would be able to retain the ownership of land, deliver social housing (general fund, NAIL, etc.)

Table 10: New build in partnership with the council

Number of Units	Scheme 1: 30 i4B roof top units	Scheme 2: 100 i4B units	
	Each scheme has sub options e.g. partial site development or site intensification		
Budget 2018/2019	Scheme 1: £0.6m	Scheme 2: £0m	
Budget 2019/2020	Scheme 1: £7m	Scheme 2: £11m	
Budget 2020/2021	Scheme 1: £0m	Scheme 2: £25m	
Total Budget 2018/2021	Scheme 1: £7.6m	Scheme 2: £36m	
Years of Delivery	On-going partnership	Target gross yield	Circa 5.0%
Best Location for the Scheme	Several schemes have been identified in the borough but consultation has not commenced with members or residents. Schemes will tend to work better in the South of the Borough due to i4B's higher income levels.		
Risks	Modular roof top schemes are not new to the borough however they are new to the council's delivery teams. Risks may arise during the preparation of the scheme. Community consultation and support will be critical in the speed of delivering this opportunity. Grant for all new build schemes can be sought and a grant for roof top modular schemes has been supported in principle by the GLA.		

and provide interim products if necessary. The council may also wish to provide repair, maintenance and housing management services to the properties. The council would gain from the long-term capital growth of the site and the company would pay a ground rent on any leasehold properties of circa £350pa per unit.

7.4.3 Key actions:

- Capital Project Board and Capital Investment panel approval, and Board approval
- Secure full planning permission
- Presentation of a full business case to the council



**There is an opportunity
for a series of new
developments to take
place on commercial sites**



New build as a Joint Venture (JV) with the council and with one or more RPs

7.5.1 There is an opportunity for a series of new developments to take place on commercial sites. The vision would be for i4B, the council and one or more RPs to work through JV arrangements on a site-by-site basis.

7.5.2 i4B will consider the appropriate council structure for purchases of this type. A joint venture is one approach. However, the use of a contractual agreement may be as practical in achieving new development units.

7.5.3 The intention is to see Registered Providers bringing their commercial and development skills to the partnership, working with the council and i4B to help identify development sites, most of which would be owned privately. The RP would purchase and develop the sites. The development would set out to deliver 50% RP affordable units and 50% i4B PRS units, potentially blended with some intermediate rent properties. The RP would benefit from a Right-to-Buy receipts grant equal to 30% of their 50% share of the build cost. i4B would purchase properties at a build cost of circa 5% gross yield, and may be able to access regeneration, planning or GLA grants to improve the scheme's gross margin. The housing partnerships team will set out the council's and i4B's expectations of this type of JV and share with partner RPs. The ownership of the freehold would need to be determined, but a principle of equal freehold land held by i4B and the RP would be placed

in the prospectus along with other information including ideal affordable housing products. The properties could be managed by the RP, council or by the company.

7.5.4 Key actions:

- Housing Partnerships establish prospectus for JV arrangements to ensure clear understanding of the requirements prior to schemes being presented

- Additional two JV opportunities to be identified and explored
- Delivery on site 2019/2020 subject to scheme approval and site purchase
- Capital Project Board and Capital Investment panel approval, and Board approval
- Presentation of a full business case to the council

Table 11: New build through a Joint Venture between the council, i4B, and a RP

Number of Units	0 in 2018/2019 40 units owned by i4B 2021
Budget 2018/2019	£0
Budget 2019/2020	£8m
Budget 2020/2021	£5m
Total Budget 2020/2021	£13m
Years of Delivery	Over 3 years – 2018/2021
Target gross yield	Circa 5.0%
Best Location for the Scheme	A scheme has been identified in the north of the borough but consultation has not commenced with members or residents. Early discussions are taking place with potential JV partners.
Risks	Development partner interest is critical however the JV terms will be understood before capital investment takes place.



8. Risk analysis of the proposals

8.1 The 2017/2018 business plan identified a number of risks which can be mitigated if they arise. The 2018/2019 business plan has considered these risks and how new business streams could reduce business risks. The risks below have been outlined with reference to the current PRS acquisition programme.

Table 12: Top six key risks

(See Appendix 1 for the risk register, providing descriptions of risks, risk scores and mitigations)

Risk	Business plan assumption	Risk Type
company cash flow (capital and revenue) is insufficient to manage expenditure	i4B has commenced a large acquisition and refurbishment programme. The period between purchase and letting requires significant financial resources. The business plan assumes an average of 90 days for property refurbishment and letting from the point of purchase. i4B's revenue account also requires an element of cash flow support to manage expenditure until it creates a surplus through rent.	Financial
Business plan rent collection rates are not achieved. Introduction of Universal credit adversely affects rent collection	The business plan assumes a rent collection rate of 98.5%.	Financial
The appeals court cannot distinguish between i4B as a private sector landlord and the council as a landlord	The i4B business model is based on the wholly owned council company being a private landlord. i4B must retain its autonomy in granting and ending tenancies. As a private landlord i4B will use its assured shorthold tenancy as the primary tenancy offered to tenants. The Directors must strictly adhere to the requirement to 'act in the interest of the company'. The council as shareholder and funder must act in accordance with these roles.	Financial and Reputational
Property portfolio does not achieve the target Gross Yield margin	5% average gross yield (true).	Financial
Void periods exceed business plan	The business plan assumes 1.5% void loss. The business provides an additional allowance of 90 days for refurbishment following the purchase of a property.	Financial and Operational
Interest rates increase	The Board will usually borrow money from the council. The council can choose how to arrange the loan however it would generally borrow funds from the public works loans board at preferential rates and on lends to i4B. The rate at which the council on lend will depend on the product being provided by i4B. i4B must comply with state aid rules.	Financial



9. Financial analysis – existing business model

The 2017 Business Plan allowed for the acquisition of 300 units for a capital outlay of £100m. Financial performance against originally agreed targets are:

- 9.1 Current estimates indicate that 300 units will be delivered as per the original profile (i.e. 120 in Brent, 30 in Greater London and 150 in the Home Counties) within the capital outlay envelope of £100m.
- 9.2 With 251 properties currently purchased or in the pipeline, the shareholder is now to be consulted on whether the profile should be changed so that a greater number of total units acquired are in Brent.
- 9.3 Given the longer-than-anticipated period between the acquisition of properties and the time at which they are let (currently five months), the peak revenue debt for i4B, estimated at £1m in the original business plan, has increased.
- 9.4 Business advisers have reported that the gap between acquisition and let is expected to dramatically reduce over the remainder of the property acquisition period and that the originally-anticipated average of three months over the entire portfolio should be achieved.
- 9.5 In that event, i4B would require an increase in the cashflow facility provided by the council from £1m (to cover the originally anticipated short-term peak revenue debt) to £2.8m, though the business plan will still break even over 30 years.

- 9.6 However, if the five-month average is maintained over the life of the plan, then the working capital requirement will increase to £3.5m. Further management action will be implemented to attempt to keep the working capital requirement under £2.5m but a short term borrowing facility of up to £3.5m will be required to cover the worst case scenario.
- 9.7 A current forecast of cashflows for i4B's first five operational years (excluding £400k of i4B establishment costs) is shown here:

Table 13: Five Year cashflow

	2017	2018	2019	2020	2021
	£000's				
Capital Outlay	76,400	23,400			
Long Term Loan	-64,600	-19,800	-	-	-
Equity (Cash Injection)	-11,800	-3,600	-	-	-
Net Capital Cashflows	0	0	0	0	0
Revenue Income Cashflows					
Gross Rental Income	689	3,856	4,429	4,474	4,519
Revenue Expenditure Cashflows					
Loan Fees and Charges	-912	-961	-85	-69	-51
Management and Maintenance	-327	-1,065	-1,208	-1,236	-1,265
company Operating Costs	-400	-155	-159	-163	-169
Net Operating Cashflows	-949	1,676	2,977	3,007	3,036
Debt Financing					
Debt Financing	-794	-2,296	-2,423	-2,423	-2,423
Working Capital Financing					
Working Capital Financing	-11	-45	-	-	-
Net i4B Cashflow	-1,754	-664	554	583	613



10. Financial analysis – business model options

Included in this year's business plan are a range of scenarios for business expansion. A summary of the financial impact of each is included below.

LHA PRS – Additional 300 units

- 10.1.1 The previous business plan for i4B approved the acquisition of 300 sub-market PRS units (PRS – Phase 1) and the acquisition of another 300 units is suggested in this latest business plan (PRS 2).
- 10.1.2 The latest forecast for PRS 1 is that total capital outlay to deliver 300 units in the areas planned will total just under £100m so is in line with the resources set aside.
- 10.1.3 The location of the 300 PRS 2 units would be significantly different from those acquired under PRS 1. More properties would be acquired in costly London Boroughs, meaning fewer in the Home Counties.
- 10.1.4 As a result, the capital outlay for PRS 2 will be significantly more than that originally requested for PRS 1, ranging from an additional £3m to deliver Option 2 to £16m for Option 1.
- 10.1.5 The loan rate charged to i4B for PRS 1 has been modelled at 2.87% and the same rate has been used to model PRS 2, though the actual rate would be linked to prevailing Public Works Loan Board rates at the time the loan agreement was signed.

10.1.6 The inherent financial risk in both scenarios is that a significant period of time elapses between investment and the achievement of a cumulative surplus, but this was also true for PRS 1.

10.1.7 These outputs imply that, from a financial perspective and conditional on the availability of capital financing, both options are worthy of further consideration.

Table 14: Comparison of PRS location options

	Number of Properties		
	PRS 1	PRS 2 – Option 1	PRS 2 – Option 2
Brent/ Greater London	150	300	210
Home Counties (Low LHA)	80	0	90
Home Counties (Medium LHA)	70	0	0

Table 15: Key outputs from the modelling for PRS 2

	PRS 1	PRS 2 – Option 1	PRS 2 – Option 2
Capital Outlay (£m)	100	116	103
Equity Investment (£m)	15	17	22
Equity Investment	15%	15%	22%
Capital Financing Interest Rate	2.87%	2.87%	2.87%
Peak Revenue Debt (£m)	2.7	3.2	3.0
1st Cumulative Surplus (Year)	2030	2032	2029
Net Yield	4.4%	4.3%	4.3%



Intermediate rent (IR)

- 10.3.1 This option involves the acquisition of 100 properties which would be let at up to 80% of market rent.
- 10.3.2 All IR units would be located in Brent/Greater London. As sub-market rent is the offering, it is likely that this element of the portfolio would qualify for a State Aid exemption in relation to interest on borrowing, thereby attracting the preferential rates applicable to LHA PRS.
- 10.3.3 It is estimated that the capital outlay to deliver market rent units to turnkey would be approximately £35m.
- 10.3.4 A higher rent would be charged compared with LHA PRS. An additional margin would be attached to the borrowing interest rate if this were a market rented product, however there is no additional margin attached to the borrowing interest rate in the case of IR.
- 10.3.5 The capital financing interest rate assumed is identical to that applied to PRS 1 (subject to confirmation of a State aid exemption). The actual rate will be determined by prevailing interest rates at the time the relevant loan agreement is signed.
- 10.3.6 The favourable effect of higher rents (than LHA PRS) is offset by a higher acquisition cost per unit, resulting in a proportionally larger Equity Investment requirement, though it still remains below the council threshold of 25%.

Table 16: IR comparison with the original LHA PRS programme (PRS 1)

	PRS 1	IR
Capital Outlay (£m)	100	35
Equity Investment (£m)	15	8
Equity Investment	15%	24%
Capital Financing Interest Rate	2.87%	2.87%
Peak Revenue Debt (£m)	2.7	0.8
1 st Cumulative Surplus (Year)	2030	2023
Net Yield	4.4%	5.1%





Acquisitions to shared ownership

- 10.4.1 In this scenario, i4B would acquire 100% of the equity in 153 newly developed units for approximately £60m, equivalent to 70% of market value. Two options are then proposed:
- 10.4.2 Option 1** – i4B sells 50% equity in all 153 properties, retaining the remaining 50%. The i4B-owned stake is available for ‘staircasing’ by the occupier and is let at a 2.75% yield on market value in the meantime.
- 10.4.3 The consolidated capital outlay (including interest costs accrued over a sales period presumed to be 24-months) are approximately £17m.
- 10.4.4 Option 1 delivers and annual deficit of approximately £100k, though i4B would benefit from additional, equity-based capital receipts as they arise.
- 10.4.5 Option 2** – i4B allocates 78 of properties for use as per Option 1. The remaining 75 properties are made available as sub-market (intermediate) rented products
- 10.4.6 The sales period for the shared equity units is again presumed to be 24 months. However, rental income from both intermediate and shared equity units will be sufficient to cover financing costs incurred during that time and so no additional interest costs are incurred.
- 10.4.7 An annual surplus of approximately £300k is delivered by this option, though this does represent only 0.8% return on net capital employed (gross outlay less sales income).
- 10.4.8 Under option 2 i4B would also benefit from equity-based capital receipts as they arise.
- 10.4.9 Due to the unpredictable timing of staircasing capital receipts under the Shared Equity scheme, lenders may argue that maturity (interest only) loans are not appropriate for these products (as i4B would not have a business proposition in place to settle the debt on completion of the loan term).
- 10.4.10 The financial modelling has therefore been predicated on the undertaking of annuity loans for both options which, while more expensive, will ensure that there is no outstanding debt against the portfolio at the end of the business planning period.
- 10.4.11 Capital receipts generated through occupier staircasing would then be additional resource which could be immediately ploughed back into i4B for other business initiatives.
- 10.4.12 The financial analysis for these two options has been carried out at a higher level than for other proposals.
- 10.4.13 As surpluses/deficits shown here are marginal when compared with outlay, further detailed work should be carried out to determine a more accurate reflection of each option’s financial strength.





Council new build on council land

10.5.1 This proposal is in development and as part of this a full financial appraisal is being carried out. This will form part of the Business Case which Cabinet will be asked to approve in order to take forward this proposal.

JV new build on council land

10.6.1 This proposal is in development and as part of this a full financial appraisal is being carried out. This will form part of the Business Case which Cabinet will be asked to approve in order to take forward this proposal.





11. Key performance indicators (KPIs)

Table 17: KPIs

i4B has the following KPIs written into the SLA with the council and in the housing management contracts				
KPI	Measure	Target in weeks or calendar days	Monitoring Period	KPI owner
Gross property yield	The annual rental income shown as a % of the property purchase price.	5%	Monthly	i4B
Average portfolio purchase price	The average cost of a portfolio property including works, SDLT, fees and VAT.	£333,333	Monthly	i4B
Maximum equity share held by LB Brent	The proportion of equity held by LB Brent in relation to the total loan provided to i4B.	23% (maximum)	Monthly	LB Brent – Finance
Business modelling exercises undertaken	The number of business modelling exercises undertaken and reported to the Board.	6 per year (minimum)	6 per year (minimum)	LB Brent – Finance
Acquisitions – conveyancing periods	Period in weeks from PRS panel approval to property purchase. Includes valuation and conveyancing.	13 weeks	Monthly	LB Brent – Property
Acquisitions – achieving the agreed programme	Number of properties purchased.	200 by 31 st March 2018 300 by 30 th Sept 2018	Monthly	LB Brent – Property
Acquisitions – property tenure	Number of Leasehold units in comparison to freehold units.	60%/40% (few leasehold units = better)	Monthly	LB Brent – Property
Acquisitions – location	The number of units located in different locations as specified in the business plan.	150 Brent and Greater London 150 Home Counties	Monthly	LB Brent – Property



KPI	Measure	Target in weeks or calendar days	Monitoring Period	KPI owner
Property handover following acquisition	Period from acquisition date to keys provided to BHM/ refurbishment contractor.	2 working days	Monthly	LB Brent – Property
Refurbishment	Period from keys received from acquisition to refurbished property compliant with i4B handover checklist. This period includes quotes and certification.	1 st 100 units = 70 days 2 nd 100 properties 64 days 3 rd 100 properties 56 days	Monthly	LB Brent – BHM
Letting	Period from notification of fully compliant handover following refurbishment to property letting (discharge of duty) or property refusal (discharge of duty).	7 days	Monthly	LB Brent – Housing Needs
Number of lets in the period	Number of new tenancy sign ups in the month	In line with PRS Programme assumptions	Monthly	LB Brent – Housing Needs
Number of property refusals by nominees leading to discharge of duty	Customers approved by LB Brent as homeless who refused i4B accommodation and were the council formally discharged their duty.	Contextual	Monthly	LB Brent – Housing Needs
Number of voids	Any property not occupied by a tenant. Snap shot as of last day in the month.	Contextual	Monthly	i4B
Void loss	% of property void days as a proportion of 100% portfolio occupation.	1.5%	Quarterly	i4B
Bad debt	Income written off by the i4B Board due to bad debt in particular arrears.	2%	Quarterly	i4B
Rent collection	Rent collected as a % of rent due. This is measured on a 4 weekly cycle in line with BACs payments to i4B.	98.5%	Monthly	Housing Management Agents – Pinnacle, Mears, BHM



KPI	Measure	Target in weeks or calendar days	Monitoring Period	KPI owner
Rent arrears action	S21 Notices served	Contextual	Monthly	Housing Management Agents – Pinnacle, Mears, BHM
Rent arrears action	Evictions	Contextual	Monthly	Housing Management Agents – Pinnacle, Mears, BHM
Customer satisfaction	Annual survey	80% Satisfied with the condition of the property	Quarterly	i4B
Customer satisfaction	Annual survey	80% Satisfied with the management of the property	Quarterly	i4B
Customer satisfaction	Annual survey	80% Satisfied with the Repairs Service	Quarterly	i4B
Customer satisfaction	Survey participation	1/3 of customers surveyed annually (min)	Quarterly	i4B
Complaints	Complaints resolved through management agents agreed procedures.	100% resolved	Quarterly	Housing Management Agents – Pinnacle, Mears, BHM
Ombudsman decisions upholding a complaint	A decision by a statutory body upholding a complaint made by a customer, contractor, employee or member of the public.	Contextual	Quarterly	i4B



KPI	Measure	Target in weeks or calendar days	Monitoring Period	KPI owner
% of portfolio property home visited	Three properties visits are required in the first year of a letting. 2 property visits are required for each subsequent year. % of property visits completed in relation to the properties under management.	100%	Annual	Housing Management Agents – Pinnacle, Mears, BHM
% of portfolio with valid CP12	Properties let with a valid CP12 gas certificate (properties with a served legal warrant qualify as certified).	100%	Monthly	Housing Management Agents – Pinnacle, Mears, BHM
% of Emergency repairs completed within 24 hrs	The % of all emergency repairs resolved within 24 hrs measured each quarter. Qualifying repairs are contained in the housing management contracts.	100%	Quarterly	Housing Management Agents – Pinnacle, Mears, BHM
% of urgent repairs completed within 7 days	The % of all urgent repairs resolved within 24 hrs measured each quarter. Qualifying repairs are contained in the housing management contracts.	95%	Quarterly	Housing Management Agents – Pinnacle, Mears, BHM
% of routine repairs completed within 28 days	The % of all routine repairs resolved within 24 hrs measured each quarter. Qualifying repairs are contained in the housing management contracts.	95%	Quarterly	Housing Management Agents – Pinnacle, Mears, BHM
Average repair cost per property per annum	The average cost of responsive repairs on the portfolio as charged by the housing management agent (excludes gas servicing).	£500 per annum	Quarterly	Housing Management Agents – Pinnacle, Mears, BHM
Void period (repairs)	The period from the void contractor being notified of a void property to the receipt to the housing management agent of the keys, handover form and certificates.	28 days	Monthly	LB Brent – BHM



Appendices

Appendix 1: Risk analysis and risk register

Risk	Business plan assumption	Risk Type	Likelihood (out of 5)	Impact (out of 5)	Risk Score (out of 25)	Mitigation
The appeals court cannot distinguish between i4B as a private sector landlord and the council as a landlord	The i4B business model is based on the wholly owned council company being a private landlord. The company must retain its autonomy in granting and ending of tenancies. As a private landlord, the company will use its assured shorthold tenancy as the primary tenancy offered to tenants. The Directors must retain at the forefront of their minds the requirement to 'act in the interest of the company'. The council as shareholder and funder must act in accordance with these roles. The potential consequences of this risk materialising is the company is seen to be one and the same as the council and therefore required to act in accordance with legislation relevant to a council landlords. The risk is that the company would have to provide the same rights as those which apply to secure council tenants and set rents in accordance with legislation and guidance as applies to councils.	Financial & Reputational	3	5	15	The company will use its assured shorthold tenancy agreement when letting PRS properties. Licences and other forms of tenancy terms will be exceptional. The company will make all decisions in relation to granting and ending tenancies and may delegate some responsibility to its management agents through approval of procedural documents. The management agents will act in the name of the company when progressing legal/court action. The Board will approve court action which could result in a tenant losing their home. i4B's logo will be used on its literature although management agents will also use their own brand when communicating with tenants. The Board, council Members and Senior officers will be briefed on the positive contribution i4B can make towards achieving the council's objectives, and on the role of the Board of Directors and the Role of the Shareholder. i4B will work with Brent council's press office to ensure press releases avoid inappropriate descriptions.
Portfolio of properties does not achieve the target Gross Yield margin	5% average Gross Yield (true) The potential consequences of underachieving against this target is that the company's income will be insufficient to meet its assumed expenditure.	Financial	3	4	12	The Board, in consultation with the requirements of the council, has some flexibility to amend the bedroom size and location of property acquisitions to maintain gross yield averages. The business plan could consider increasing the number of properties in high LHA locations such as Brent which would create a larger cash margin per property which would be advantageous to the business plan in managing fixed costs such as insurance and housing management fees. The programme could be spread over more years to prevent artificial house price inflation due to i4B's intense programme. i4B could diversify its products introducing intermediate renting and potentially shared ownership into its portfolio to support the overall strength of the business plan. i4B is seeking to work with the council and Registered Providers to purchase new build homes. With the support of the council, i4B could generate higher yields with some partnerships and introduce new products.



Risk	Business plan assumption	Risk Type	Likelihood (out of 5)	Impact (out of 5)	Risk Score (out of 25)	Mitigation
Average property price exceeds budget	The average property price for PRS phase 1 is £333,333 and the average purchase price for PRS phase 2 is £360,000 (£108m) or £390,000 (£117m). The potential consequence of this is i4B will be required to raise more capital to achieve unit targets. The ability to borrow more capital would be based on the strength of the company's business and underlying financial strength.	Financial	3	2	6	The Board closely monitors i4B's income and expenditure and has developed and uses a business modelling tool to understand any variation which pipeline purchases are likely to cause. Through this tool, action can be taken in relation to the purchasing strategy and purchasing decisions prior to negative financial consequences. i4B has some flexibility to amend the bedroom size and location of property acquisitions to maintain average property acquisition costs.
Rent collection rates do not achieve business plan. The introduction of Universal credit adversely affects income collection rates.	The business plan assumes a rent collection rate of 98.5% of rent due. The potential consequences of this risk materialising is the company's income is insufficient to cover its expenditure.	Financial	4	5	20	The Board is investing in additional monitoring of rent and arrears performance of housing management subcontractors. It is funding (through the SLA) a weekly monitoring of rent performance data of subcontractors to check contractors' data, identify variations and request information from subcontractors on actions being taken. i4B is seeking to diversify its products to introduce new customers with different household income profiles than exiting PRS customers. The introduction of new products and some new build properties with higher yields may mitigate a slightly lower rent collection rate.
Void periods exceed business plan	The business plan assumes 1.5% void loss. The business provides an additional allowance of 90 days for refurbishment following the purchase of a property. The potential consequences of this risk materialising is the company has fewer properties able to receive rent and therefore income would reduce whilst expenditure potentially increases. Additional costs such as council tax costs to the company increase during void periods.	Financial & achieving operational objectives	4	3	12	The company has built into the contracts with housing management and void contractors the requirement to cooperate to ensure void periods are minimised. i4B has weekly meetings with the council's housing needs team who are responsible for nominating tenant. The company is working with the council to approve the purchases are in line with the council's customer profile and sustainable tenancy requirements. i4B will review the nominations agreement at client/company meetings. The company could approach the shareholder to dispose of properties in locations consistently failing to attract customers. i4B could offer properties to customers requiring intermediate, market or TA accommodation. The company could consider working with social service nominations. i4B is seeking to diversify its products to introduce new customers with different household income profiles than exiting PRS customers. The introduction of new products and some new build properties with higher yields may mitigate a slightly lower rent collection rate.



Risk	Business plan assumption	Risk Type	Likelihood (out of 5)	Impact (out of 5)	Risk Score (out of 25)	Mitigation
Bad debt exceeds business plan assumptions	The business plan assumes 2% bad debt. The potential consequences of this risk materialising is the company has less income to overcome its expenditure.	Financial	3	4	12	The Board is investing in additional monitoring of rent and arrears performance through the SLA. The council and the company will review the nominations agreement and the application of the sustainable tenancy assessment. The company is seeking to diversify its products to introduce new customers with different household income profiles than exiting PRS customers. The introduction of new products and some new build properties with higher yields may mitigate a slightly lower rent collection rate.
The proportion of equity held by LB Brent in relation to the total loan exceeds target	The equity held by LB Brent is not to exceed 23% of total loan value. The potential consequences of this risk materialising is the company breaches the business plan permissions provided by the shareholder.	Financial	3	2	6	The company has developed a business model tool which automatically calculates the proportion of equity held by LB Brent in relation to the total loan. The board has a KPOI which requires it to review the business model a number of times within each year.
i4B is deemed to have failed a statutory requirement	The business must first and foremost ensure its tenants, employees and contractors enjoy a safe environment. The company must avoid incidents which could cause reputational damage to itself and be aware of the potential reputational damage it could cause to its shareholder. As a private landlord, i4B will strive to fully comply with statutory compliance requirements and respond in a timely way to complaints and Ombudsman enquiries. The potential consequences of this risk materialising vary. Some risks relate to health and safety requirements including gas safety. Failure to comply H&S requirements increase the opportunity for hazards including the causing of death. The ultimate penalty for failure to abide by statutory H&S requirements is imprisonment of the Chair of the Board. The consequences of other statutory failures may be fines and/or reputational damage to i4B.	Financial & Reputational	1	3	3	Contracts cover compliance requirements including gas servicing. Only suitably qualified people will be employed to deliver works. Monthly monitoring and KPI reports include some key aspects including gas, complaints and customer satisfaction. i4B will maintain its own brand which is separate to that of the council. i4B will work with the council's press office to ensure any incidents are appropriately managed.



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The business plan does not diversify its products	The current business plan is primarily based on a Private Rented Sector (PRS) landlord model with permission to provide some market rent. The potential consequences of this risk materialising is the company may find its income and rent collection rate is more vulnerable to impacts of legislation including changes in housing benefit changes.	Financial & achieving operational objectives	2	2	4	Rent collection is one of the company's monthly monitored KPIs. Trends in rent collection performance of the management agents are also monitored on a weekly basis by rent experts working on behalf of i4B. The company is seeking to diversify its products to introduce new customers with different household income profiles than exiting PRS customers. The introduction of new products and some new build properties with higher yields may mitigate a slightly lower rent collection rate.
The cost to deliver i4B services exceeds business plan assumptions	There are a number of key assumptions built into the business plan and the setting of the Gross Yield %. These cost assumptions include: housing management services; repair and maintenance; insurance; contracts and service level agreements; major refurbishment programmes; and debt finance arrangements. As the business grows, cost assumptions may change and new costs may be encountered. The potential consequences of this risk materialising is the company's expenditure cannot be met by its income.	Financial	3	3	9	A review of business plan assumptions will take place bi-annually and will be reported to the Board. Should additional costs be noted, options will be considered to reduce cost through contract management renegotiation, eliminating the cost where the minimal property standard can be amended. It would be possible to reduce the volume of units purchased but seek higher gross yield margins on each property. The company is seeking to introduce additional products with higher yields to blend the overall yield, for example some new build partnerships and some shared ownership. Through growth i4B may be able to spread certain costs between more properties and negotiate better prices from providers. There may also be an opportunity to deliver savings through closer alignment to First wave housing, ultimately combining corporate and other services to create efficiencies.
Interest rates increase	The Board will usually borrow money from the council. The council can choose how to arrange the loan, however it would generally borrow funds from the public works loans board at preferential rates, then on-lend to i4B. The rate at which the council on-lends will depend on the product being provided by i4B. i4B must comply with state aid rules. The potential consequences of this risk materialising is i4B may not be able to secure a loan rate which can support the delivery of new products and purchase programmes. Ultimately, this will reduce the effectiveness of i4B delivering benefits for the council.	Financial	4	2	8	The council can enter into a long-term fixed rate borrowing which locks i4B's exposure. The council is able to support i4B through injecting equity into the company and reducing the loan element.



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Inflation increases above business plan assumptions	The business plan assumes 2.5% annual inflation in relation to services. The business plan recognises LHA rent rates are frozen until 2021. The business plan assumes LHA rates will increase at 1% per annum after 2021. The business plan assumes that properties will be purchased within the capital budget agreed and no inflation is assumed within this envelope in relation to property prices, fees, SDLT or works. The potential consequences of this risk materialising is i4B's costs increase above its income. The company's income is primarily rent at Local Housing Allowance rates which are frozen until 2021.	Financial			0	A review of business plan assumptions will take place bi-annually and will be reported to the Board. Should additional costs be noted, options will be considered to reduce costs through contract management or renegotiation, eliminating the costs where the minimal property standard can be amended. It would be possible to reduce the volume of units purchased but seek higher gross yield margins on each property. i4B is seeking to introduce additional products with higher yields to blend the overall yield, for example some new build partnerships and some shared ownership. Through growth, i4B may be able to spread certain costs between more properties and negotiate better prices from providers. There may also be an opportunity to deliver savings through closer alignment to First wave housing, ultimately combining corporate and other services to create efficiencies.
LHA rates fall below business plan assumptions	The business plan assumes LHA rates will be frozen until 2021 and then increase at 1% per annum. The potential consequences of this risk materialising is the company's income will be less than its anticipated expenditure.	Financial	2	5	10	The company is seeking to diversify its products to introduce new customers with different household income profiles than exiting PRS customers. The introduction of new products and some new build properties with higher yields may mitigate a slightly lower rent collection rate. Potentially, properties could be sold to release capital, especially over the medium- and long-term when asset appreciation should create surplus capital.
The number of Leasehold units exceeds the target ration in relation to freehold properties	The business plan assumes a 60%/40% split in favour of Leasehold properties. The potential consequences of this risk materialising is i4B's expenditure would increase payments to the freeholder in relation to service charges and ground rent.	Financial	4	3	12	The company could prioritise purchases of block, multiple dwellings and ex-council dwellings where possible and in so doing either purchase the freehold or work with the council as a responsible freeholder. The purchasing strategy could seek to increase yields. i4B could diversify the portfolio with products which create higher yields. i4B could consider, in consultation with the shareholder, passing on these charges in part or whole to tenants.



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The pipeline of properties is slower than SLA target	The SLA has a target of 13 weeks for properties to be purchased from approval at the PRS panel. The potential consequences of this risk materialising is mainly on the realisation of benefits to the council. The company pays for the loan facility when it is not being used although this charge increases once funds are drawn down.	Financial & achieving operational objectives	5	2	10	i4B could encourage the council through the SLA to introduce additional conveyancing teams. i4B works will work through the SLA with the council to develop appropriate treasury management strategies.
Property price inflation reduces average yield and increases average purchase prices	The programme assumes 200 properties purchased by 31st March 2018 and 300 by 30th Sept 2018. The potential consequences of this risk materialising is the acquisition programme would slow down, reducing the realisation of benefits to the council. However, the company would also be weaker with fewer properties as some fixed costs would be spread between fewer properties. The company's loan facility would continue to incur costs to the company.	Financial & achieving operational objectives	2	4	8	i4B could encourage the council through the SLA to introduce additional conveyancing teams. The anticipated outcomes of the programme could be profiled with the shareholder.
The location of properties purchased varies from the business plan	The business plan assumes that: phase 1 – 150 properties purchased in Brent & Greater London, 150 in the Home Counties; phase 2 – up to 300 properties purchased in Brent. The potential consequences of this risk materialising is that purchasing more properties in Brent is likely to improve the financial strength of the company as long as the gross yield of 5% is maintained. If more properties are purchased in the home counties the underlying net yield is likely to be reduced and therefore create less income even at 5% gross yield.	Financial & achieving operational objectives	3	3	9	The company will continue to consider the business model tool at its board meetings to understand the impact of portfolio purchase the pipeline of purchases. i4B could reduce the scale of the programme or seek support from the council to purchase in alternative locations.



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The refurbishment period exceeds SLA target	The SLA has a target of 70 days for the first 100, 64 days for the 2nd 100 and 56 days for the 3rd 100 units. The potential consequences of this risk materialising is properties are unable to be let and remain void for longer than envisaged. The loan cost will not be met by rental income which will mean cash flow requirements increase and expenditure such as council tax liabilities increase.	Financial & achieving operational objectives	5	4	20	The Board monitor refurbishment KPIs at their monthly Board meeting. Weekly meetings take place at the operational level between i4B and the council's refurbishment service. Quotes for works are provided to i4B prior to properties being purchased. i4B could encourage the council through the SLA to introduce additional refurbishment teams or processes. The programme of purchases could be slowed to keep pace with refurbishment capacity.
The nominations process exceeds SLA target	The SLA has a target of 7 days from refurbishment handover to the property being let (tenancy start date). The potential consequences of this risk materialising is properties are unable to be let and remain void for longer than envisaged. The loan cost will not be met by rental income which will mean cash flow requirements increase and expenditure such as council tax liabilities increase.	Financial & achieving operational objectives	4	3	12	The Board monitor refurbishment KPIs at their monthly Board meeting. Weekly meetings take place at the operational level between i4B and the council's housing needs service. i4B could encourage the council (through the SLA) to introduce additional resources and change processes to reflect the new housing supply opportunity. i4B could work to bespoke some properties through a variation to its refurbishment specification. The programme of purchases could be slowed to keep pace with council demand from customers likely to be requiring emergency accommodation. i4B and the council will review the nominations agreement at its client company monitoring meetings.
LBB discharges its duty as a result of the nominee rejecting the offer of accommodation	The business plan does not assume any time (rent) loss from a duty being discharged as a result of a customer refusal. The impact will fall on the company's void loss performance and/or SLA performance in relation to nominations to and letting of properties. The potential consequences of this risk materialising is properties are unable to be let and remain void for longer than envisaged. The loan cost will not be met by rental income which will mean cash flow requirements increase and expenditure such as council tax liabilities increase. The consequent for the council is that they gain an additional discharge of duty and reduce their revenue costs and are still able to nominate another customer to i4B.	Financial	5	2	10	The Board monitor refurbishment KPIs at their monthly Board meeting. Weekly meetings take place at the operational level between i4B and the council's housing needs service. i4B could encourage the council (through the SLA) to introduce additional resources and change processes to reflect the new housing supply opportunity. The programme of purchases could be slowed to keep pace with council demand from customers likely to be requiring emergency accommodation. i4B and the council will review the nominations agreement at its client company monitoring meetings.



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company cash flow (capital and revenue) is insufficient to manage expenditure	The company has commenced a large acquisition and refurbishment programme. The period between purchase and letting requires significant financial resources. The business plan assumes an average of 90 days for property refurbishment and letting from the point of purchase. i4B's revenue account also requires an element of cash flow support to manage expenditure until it creates a surplus through rent. The potential consequences of this risk materialising is the company becomes insolvent.	Financial	5	5	25	i4B is monitoring the performance of the SLA to deliver capital works and refurbishments within business plan requirements. In particular, the company is focusing on reducing the amount of time taken during refurbishment and letting to maximise rental income. The council has approved a cash flow facility for capital and revenue. The company will monitor cash flow requirements at its monthly meetings and with the shareholder at client/company meetings.



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