



Cabinet
8 February 2021

**Report from the Chair of i4B
Holdings Ltd**

i4B Holdings Ltd Business Plan 2021/22

Wards Affected:	All
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt – Appendix 1 of the Business Plan is exempt as it contains the following category of exempt information as specified in Paragraph 3 of Schedule 12 A of the Local Government Act 1972, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)”.
No. of Appendices:	Three Appendix 1: i4B 2021/22 Company Business Plan Appendix 1(a): Appendix 1 of Company Business Plan – exempt financial information Appendix 1(b): Appendix 2 of Company Business Plan- Company Risk Register Appendix 1(c): Appendix 4 of Company Business Plan - 2021/22 Key Tasks
Background Papers:	None.
Contact Officer(s): (Name, Title, Contact Details)	Sadie East Head of Transformation Tel: 020 8937 1507 Sadie.East@brent.gov.uk

1.0 Purpose of the Report

1.1 This report provides Cabinet with a final draft of the i4B Holdings Ltd (i4B) 2021/22 Business Plan. Cabinet is asked to approve the Business Plan on behalf of the Shareholder.

2.0 Recommendations

- 2.1 Cabinet approves the proposals within the 2021/22 Business Plan.
- 2.2 Cabinet approves the content and proposed strategic priorities of i4B's 2021/22 Business Plan.
- 2.3 Cabinet approves the updated financial model contained within the 2021/22 Business Plan.

3.0 Background

- 3.1 In November 2016, Cabinet agreed to establish a wholly owned investment company – i4B Holdings Limited. The Company was set up to own and manage private rented sector (PRS) properties, in order to support the Council's homelessness agenda.
- 3.2 i4B's Shareholder Agreement states that the Company should produce an annual Business Plan for Shareholder approval.
- 3.3 This report provides a final draft version of i4B's Business Plan for 2021/22. This version incorporates feedback from CMT at its 7 January 2021 meeting as well as the i4B Board meeting on 17 December 2020.

4.0 Update on Operational Performance

- 4.1 Table One below gives a summary of operational performance at December 2020. Operational performance is stable and is generally at or slightly below business plan targets. Certain KPIs, such as letting times for Brent and Greater London and the rate of property purchases, have been negatively impacted by Covid-19.

Table One – Key Performance Indicators

Indicator	Target	Performance at April 2020	Performance at December 2020
Number of units	300 by April 2020/360 by April 2021	277	302
Average cost per property	£363,000	£355,576	£363,484
Net yield of whole portfolio	1.22%	1.09%	1.16%
Net yield of year to date purchases	1.22%	1.42%	1.88%
Instruction to Legal to Purchase	120 days	122 days	132 days
Refurbishment	66 days	66 days	60 days
Letting Brent and Greater London	14 days	18 days	33 days
Rent collection	98.50%	95.09%	93.50%
Landlord Gas safety Record	100%	BHM – 100% Mears – 91% Pinnacle 100%	BHM – 95% Mears – 97% <i>Note: Mears now manage all</i>

			<i>Home Counties properties</i>
Customer Satisfaction	80%	72% (2018 data)	69%

4.2 Customer Satisfaction

4.2.1 In December 2020, The Head of Housing & Neighbourhoods presented the results STAR for i4B and First Wave Housing (FWH) tenants. Customer dissatisfaction with Brent Housing Management (BHM) has reduced slightly from 23% in 2018 to 21% in 2020. However, satisfaction has also reduced from 72% in 2018 to 69% in 2020. The reason for this is more residents are neither dissatisfied nor satisfied, an increase from 5% in 2018 to 10% in 2020.

4.2.2 i4B residents were satisfied with BHM's response to Covid-19 and overall communication, and feel that their homes are safe and secure. However, resident satisfaction with the quality of their home has reduced.

4.2.3 An action plan is being developed to address such areas where feedback was less positive. This will be presented to the i4B Board in early 2021.

5.0 **Progress in Implementing 2020/21 Business Plan**

5.1 In February 2020, the 2020/21 i4B Business Plan was approved. In the plan, the Shareholder agreed that i4B would seek to grow and diversify its business operations and products to strengthen its balance sheet, spread risk and increase its capacity to do more for Brent.

5.2 The 2020/21 Business Plan outlined the following strategic priorities:

- The PRS acquisition programme;
- The provision of key worker accommodation;
- Develop a portfolio of new build accommodation working with the Council to develop housing on Council owned land; and
- Develop a portfolio of new build accommodation working with Registered Providers or private sector developers on sites purchased from the market

5.3 The following summarises each of the priorities and reports on progress against these.

5.4 PRS acquisition programme

5.4.1 The purchase of street properties remains a core part of i4B's Business Plan. The 2020-21 Business Plan reaffirmed the Company's ambition to increase i4B's portfolio of street properties to 360 properties by April 2021. This included the purchase of 80 street properties in 2020-21.

5.4.2 Prior to April 2020, the rate of acquisitions had been stable at around five per month. The Company was exploring ways it could increase purchases to meet

2020-21 targets. However, the rate of acquisitions has been slower than expected. It is anticipated that the Company will purchase 40 street properties in 2020-21 bringing the total portfolio to 316 units by April 2021.

5.4.3 The primary reasons for this are the low volume of properties on the market at a price the Company can pay and the dominance of leasehold properties in the market. This brings complexities such as lease terms, third party freehold ownership, and service charges. This has been further compounded by the impact of Covid-19.

5.5 Key worker accommodation

5.5.1 In February 2020, the Company purchased a block of 153 units to be let as key worker accommodation at 65% of market rent plus service charge, in order to support the Council's commitment to support other public sector organisations to recruit and retain employees in Brent. This is part of the wider section 106 agreement between the Council and the private developer.

5.5.2 The block is currently being built and is expected to be completed in January 2021. The key focus of the 2020-21 business plan was developing this opportunity as a flagship for key worker accommodation and ensuring processes were in place for a smooth handover from the developer.

5.5.3 Throughout 2020-21 i4B has carried out the following work:

- Appointed Brent Housing Management as managing agent at the block;
- Developed a Key Worker Allocations Policy in partnership with the Council's Housing Supply and Partnerships team;
- Appointed an employer's agent to oversee the project, attend project meetings on behalf of i4B and look after the Company's interests as the development progresses;
- Developed an applications and allocations system to manage applications; and
- Commenced a marketing campaign.

5.6 Council new build accommodation

5.6.1 Following guidance from the Shareholder, the Company has focussed its efforts on acquiring properties from sources other than existing Council new build schemes. This is principally due to the fact that acquiring street properties or new build blocks adds entirely new properties into the Council's affordable housing portfolio rather than purchasing properties that would be used for affordable or social housing regardless of i4B involvement.

5.7 RP/private new build accommodation

5.7.1 The 2020-21 Business Plan stated that the Company would look to increase acquisitions by working with registered providers and private sector developers. This would involve i4B entering into an agreement with partners to increase its

capacity to deliver a large number of affordable units in borough within a short period.

5.7.2 Throughout 2020-21, i4B has been in contact with a number of registered providers and private developers to explore development opportunities. However, nothing has yet materialised into a viable opportunity.

6.0 2021/22 Business Plan

6.1 Appendix 1 contains a final draft of the Company's 2021/22 Business Plan. The i4B Board met on 17 December 2020 to discuss the business plan. Cabinet is asked to approve the Business Plan.

6.2 The 2021/22 Business Plan outlines the Company's strategic priorities for the year. Priorities for 2021/22 are set out within the framework of the medium to long-term objectives of Brent's Housing Companies. These objectives are:

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

6.3 Increasing the supply of affordable housing in the borough

6.3.1 i4B's primary aim is to improve the Council's affordable housing offer through the acquisition and letting of properties in Brent and neighbouring boroughs. In October 2019, Cabinet agreed loan facilities of up to £110.5m be made available to i4B and First Wave Housing Limited. Strategic priorities for 2021/22 that relate to this objective are:

- Priority 1: Purchase 60 street properties in 2021/22
- Priority 2: Work with the Council, Registered Providers and private developers to identify new build development opportunities
- Priority 3: Negotiate additional sources of finance for the Company

6.4 Running a viable business

6.4.1 This objective relates to improving the operational and financial performance of i4B. In order to continue to provide affordable housing and bring benefits to the Council, i4B must remain financially viable. It is thus imperative that operational services run smoothly and planning, monitoring and reporting are as accurate and effective as possible. i4B will maintain an effective system of financial control, as well as benchmark and understand costs to ensure that the Company delivers value for money. Strategic priorities for 2021/22 that relate to this objective are:

- Priority 1: Review the Company's Investment Appraisal Criteria
- Priority 2: Review the viability of Home Counties properties
- Priority 3: Carry out a benchmarking exercise

- Priority 4: Reduce void times
- Priority 5: Develop an Asset Management Strategy for i4B
- Priority 6: Implement Oracle Cloud finance systems for the companies

6.5 Delivering safe and sustainable homes

6.5.1 This objective involves ensuring that i4B's homes are of a good quality, safe, compliant, and environmentally sustainable. Strategic priorities for 2021/22 that relate to this objective are:

- Priority 1: Establish a suite of compliance policies and standards to ensure legal compliance
- Priority 2: Establish a suite of performance monitoring metrics to give the Board assurance on compliance levels
- Priority 3: Carry out an audit of the new compliance suite

6.6 Providing a consistently good housing service

6.6.1 This objective relates to improving tenant satisfaction. i4B will do this by ensuring it has clear service standards and procedures that enable complaints and anti-social behaviour issues to be resolved quickly and effectively. i4B will also effectively monitor and manage the performance of our contractors, provide a responsive repairs service, and provide effective cleaning, caretaking and grounds maintenance. Strategic priorities for 2021/22 that relate to this objective are:

- Priority 1: Review our approach to assessing customer satisfaction
- Priority 2: Review the sustainability and affordability of rent levels

7.0 Financial Implications

7.1 Appendix 1 to the Business Plan sets out the financial forecasts and key assumptions that drive them.

7.2 In summary, despite the COVID related pressures on business plan performance arising from reduced income collection rates and longer void rates, business plan forecasts are showing an improved position compared to last year's plan. i4B was forecast to generate its first surplus in 2023/24 with a surplus now being forecast in 2021/22.

7.3 The improved performance is driven primarily by an increase in the forecast property numbers from 360 units to 483 units as a result of the continued property purchase programme and the acquisition of the key worker block. In addition, rent levels are higher than originally forecast.

7.4 The summary position over the next 5 years is set out in the table below with further detail in Appendix 1 of the Business Plan

Core Portfolio	2021/22	2022/23	2023/24	2024/25	2025/26
	£,000	£,000	£,000	£,000	£,000
P&L	451	1,854	2,299	2,968	3,089
Cashflow	68	1,389	1,750	2,350	2,458
Cash Balance	1,044	2,433	4,182	6,532	8,990

8.0 Legal Implications

- 8.1 The adoption of the proposed Business Plan is a matter reserved to the Council as the sole shareholder in i4B Holdings Limited and the intention is to seek Cabinet approval on 8 February 2021.
- 8.2 In the context of the various delivery routes referred to in the report and Business Plan, it should be noted that companies such as i4B, established and solely owned by a council parent, are regarded as “contracting authorities” in their own right for the purposes of the Procurement Regulations 2015 (“PCR”).
- 8.3 As a result, services or works over the relevant PCR financial threshold that i4B commissions from another organisation, *even those commissioned from its own parent, or any other partnership arrangements as referred to in this report* with the Council or other Registered Providers, potentially have to be competitively tendered, unless relevant exemptions available under the PCR apply.
- 8.4 The PCR provides a limited number of specific exemptions including those relating to the pure purchase of land, the purchase of land including existing buildings and other structures, the purchase of land covered with water, and of any estate, interest, easement, or rights in or over land.
- 8.5 i4B will need to be mindful of the need for procurement of development agreements where these are not purely land transactions or of partnering proposals involving private capital participation.
- 8.6 It may be possible to structure those of i4B’s arrangements, described above, so as to avoid the application of the PCR altogether. However, to ensure this, legal advice will be required before any proposed arrangements between i4B and the Council or other third party are planned and implemented.
- 8.7 Financial modelling referred to at para 7.4 represents sums derived from loan funding to i4B from Brent Council. The Council has the statutory power to make loans and its loan to i4B is regarded as an “investment” under local government legislation. Such “investments” are subject to a statutory guidance on local government investments (“The Guidance”) issued under section 15(1) (a) of the Local Government Act 2003. The Guidance, last issued in 2018, defines those practices that a local authority is required to follow when making investment decisions which are based on based on the prudential framework set out in the Local Government Act 2003, the Prudential Code and the Treasury Management Code prepared by CIPFA. The Council should refer to these Guidelines in making the capital loan requested and agreeing drawdowns from the loan facility.

- 8.8 State Aid may be a potential issue for any loan funding to i4B from Brent Council, unless the loan is of a type that falls into the General Block Exemption (GBER), or of a level that falls below a threshold (*de minimis*) amount or is made on market terms.
- 8.9 The Council and i4B need to ensure that any discretion given to i4B as referred to at Paras. 6.2, 6.3.6.4 and 6.5 is in keeping with any funding conditions to which they are subject.
- 8.10 i4B is a wholly-owned local authority company, controlled by the Council, which was established to own and manage private rented sector (PRS) properties, in order to support the Council's homelessness agenda. Though i4B owns the out-of-Borough properties referred to in the Report, they ultimately serve the Council's housing purposes. The Council exercises a degree of control over disposal of these properties given the requirements of the Shareholder Agreement as to Council consent for disposal. In exercise of that control, the Council ought to ensure that, the spirit and purpose of section 123 Local Government Act 1972, is complied with, so that any sale of i4B's out-of-Borough land is for best consideration reasonably achievable by i4B.
- 8.11 Ensuring that i4B achieves full market value for each property sold, will also enable it to ensure that the Council and i4B are state-aid compliant. This will ensure they have acted in accordance with the Market Economy Investor Principle ("MEIP") because they will have acted like a private investor selling or leasing land or buildings in similar circumstances. Market value for these purposes is determined by placing the property for sale or lease on the open market and holding an unconditional bidding process.
- 8.12 The market valuation of the property should be independent, value must not be determined in-house services. The public body must advertise the sale/lease in the national or international press for a period of two months or more, with the advertising sufficient to attract European or international interest. Alternatively, market value determined by one or more independent asset valuers.

9.0 Equality Implications

9.1 N/A

10.0 Any other implications

10.1 N/A

11.0 Proposed Consultation with Ward Members and Stakeholders

11.1 N/A