



## **Business Plan 2024/25**

***Housing Gateway provides quality housing for  
Enfield residents.***

# Business Plan 2024/25



## 1. Executive Summary

Housing Gateway Ltd (HGL) was established in 2014 to provide LBE with good quality housing for its residents. The Company's mission reflects its wider role and critical contribution to the Council's Housing strategy:

***Housing Gateway provides quality housing for Enfield residents.***

HGL is an important part of the Council's strategy to deliver its statutory homelessness responsibilities in the most cost-effective manner possible. The management of temporary accommodation delivers cost avoidance of £5m annually. Its property portfolio also delivers an operating surplus.

HGL has achieved significant success and is now well established with a portfolio of 1,332 properties. HGL has moved from a turnover of £17m in 23/24 to an anticipated turnover of £40m in 24/25. Whilst the strategy for HGL to manage leased temporary accommodation delivers clear savings the ownership of assets and growth of this area is under review in the light of the additional costs incurred by HGL over other routes the Council has available to it. Therefore, future growth plans for the ownership of assets is under review.

HGL has a clear vision for the future to further deliver significant savings to the Council whilst providing local residents with good quality accommodation. As defined in the following objectives;

1. Maximise the financial return (including minimising the nominations fee for TA and Enfield Let) to the Shareholder, contributing to the alleviation of the Council's financial pressures arising from the shortfall in the provision of temporary accommodation, whilst balancing the needs of our residents and condition of housing stock.
2. Develop Enfield Let, an innovative ethical lettings agency, collaborating with the Council to complete a stock transfer of Temporary Accommodation.
3. Deliver demonstrably, good quality housing for residents ensuring the portfolio meets decency standards and aligns with the Council's decarbonisation strategy whilst maximising operating surplus.
4. Review HGL's operating model to ensure that residents in the most need are prioritised and the number of residents who benefit from HGL's stable, affordable accommodation, are maximised.
5. Ensure effective governance through a board that adopts best practice in governance arrangements and ensuring the retention and renewal of Board members as required.
6. Support the Council's need for specialist accommodation by developing innovative housing solutions.

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## 2. Strategic Market Review

It is essential that Housing Gateway continues to review and update its service offer in order to remain relevant in the fast-paced private rented sector and deliver successful outcomes to the Council and residents.

The Council is experiencing unprecedented demand from residents losing their homes. This is at a time when the private rented sector is contracting, rents are rising and there is a severe shortage of affordable privately rented homes across the whole of the southeast of England.

The Council currently has c.3000 families in temporary accommodation with 294 being accommodated in hotels. This accommodation is not only unsuitable for the families, but also expensive for the Council.

In addition to the ongoing demand, the supply of temporary accommodation has also fallen, and landlords are exiting the temporary accommodation market as they can gain higher returns through privately renting their properties. This shortage of affordable accommodation within the Borough means that few households have the financial capacity and opportunity to move out of temporary accommodation.

The impact on families staying for extended periods in hotels is immense. Whilst this type of accommodation should only be for emergencies the reality is that it is being used for extended periods of time. The Council's aim is to end the use of hotel accommodation and to deliver sustained reductions in the use of temporary accommodation thereafter.

This is mirrored by the financial cost to the Council. A substantial deficit has been generated during 2023-24, directly caused by the cost of hotel accommodation and the impact of the benefits subsidy system of temporary accommodation.

The Council rely on properties that can be rented at Local Housing Allowance (LHA) levels so that they are affordable to residents. The supply of private rented properties at LHA rents has reduced by 90% since April 2021 and 84% since April 2022.

Additionally, the proposals around the Private Renters Bill and introduction of a Private Renters Ombudsman focuses on good quality accommodation and the renter's ability to challenge poor landlords. Housing Gateway exemplifies these principles ensuring stable private sector tenancies are well maintained and managed.

HGL will be a key stakeholder in the delivery of housing solutions to the Council, ranging from the purchase of properties throughout the UK to delivering the acquisition of block leases. As HGL pivots to be the Council's provider of temporary accommodation it is anticipated to deliver increased savings to the Council c. £5m pa.

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## 3. Review of 2023-24

During 2023-24 HGL has continued to thrive, focussing on delivering the transfer of temporary accommodation from the Council to facilitate significant budget savings. HGL has made significant achievements during the last year, which brings the company to a secure position with a portfolio of 647 owned properties and 685 leased properties.

Product	Owned / leased	Income / Rent level	Temporary acc or private rented tenancy	Ongoing nominations fee	No. of properties at 31 <sup>st</sup> March 24.
HGL Core	Owned	Market rent	Private rented tenancy	No	366
HGL Temporary accommodation	Owned	LHA	Temporary accommodation	yes	207
Enfield Let: Managed	Leased	Market rent	Private rented tenancy	yes	259
Enfield Let: temporary accommodation	Leased	LHA	Temporary accommodation	yes	426
Grant funded properties (RSAP & LAHF)	Owned	70% of LHA	Temporary accommodation	No	74
<b>Total</b>					<b>1,332</b>

HGL's portfolio delivers significant benefits to the Council via savings/cost avoidance, good quality accommodation and diversity of product. HGL has:

- Purchased 647 homes, providing the Council with total savings of £14.3m, by reducing the reliance on expensive temporary accommodation.
- Facilitated the transfer of 426 temporary accommodation properties in 23/24 from the Council to HGL, bringing the total leased portfolio to 685 properties, delivering savings of c. £1.5m
- Delivered a GLA funded property acquisition programme to rehouse rough sleepers. Obtaining £9m grant funding and providing 61 homes.
- Delivered a DLUHC funded property acquisition programme to rehouse Afghan refugees and families in temporary accommodation. Obtaining £2.2m grant funding and providing 13 homes.
- Did not draw down working capital as anticipated, managing cash flow through internal resources.
- Purchased 7 homes to meet the specific needs of residents with additional challenges such as learning or physical disabilities and been shortlisted for an industry award for the scheme.
- Supported the Council's landlord licensing scheme by applying for 354 landlord licences, committing income of £240k to the activity. This equates to 96% of HGL's licensable, owned stock.

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## 4. Strategic Objectives 2024 – 25

HGL has a clear vision for the next three years to further deliver significant savings to the Council whilst providing local residents with good quality accommodation. As defined in the following objectives.

**Strategic Objective 1: Maximise the financial return (including minimising the nominations fee for TA and Enfield Let) to the Shareholder, contributing to the alleviation of the Council’s financial pressures arising from the shortfall in the provision of temporary accommodation, whilst balancing the needs of our residents and condition of housing stock.**

During 2024/25 we will:

1. Review the service delivery model to ensure optimum efficiency of its operating cost base and good levels of customer satisfaction from residents.
2. Implement an open book nomination fee arrangement for temporary accommodation and Enfield Let which will aim to contain the Councils management cost per unit.
3. Implement an effective rent collection procedure and process keeping under review and containing the need for bad debt provision.

**Strategic Objective 2: Collaborate with the Council to deliver the Temporary Accommodation stock transfer by developing Enfield Let, an innovative ethical lettings agency.**

During 2024/25 we will:

1. Collaborate with the Council to complete the transfer of at least 1387 temporary accommodation homes.
2. Expand the owned portfolio by 100 homes where this is the most cost effective route for the council.
3. Develop a new operating model to support the different stock products and implement a restructure.

**Strategic objective 3: Deliver demonstrably, good quality housing for residents ensuring the portfolio meets decency standards and aligns with the Shareholders decarbonisation strategy.**

During 2024/25 we will:

1. Purchase 130 properties where this is the most cost effective solution for the Council.
2. Develop an asset management strategy and a capital investment programme to ensure the decent homes standard is met on a just in time basis.
3. Complete enhanced safety works to Brickfield and Greenway bringing them back into use for the Council as soon as possible.
4. Keep under review the standard of temporary accommodation through adherence to multiple compliance checks through ADAM (the procurement

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framework), through health and safety measures and through the licensing scheme. Undertake 100% of property inspections to properties that do not demonstrate compliance, or that generate a complaint from residents.

**Strategic Objective 4: Review HGL's operating model to ensure that residents in the most need are prioritised and the number of residents who benefit from HGL's stable, affordable accommodation, are maximised.**

During 2024/25 we will:

1. Take nominations from the council following its prioritisation framework for new lets and re-lets.
2. Implement a transfer policy to ensure that residents are not under occupying due to change of circumstances.

**Strategic Objective 5: Ensure effective governance through a board that adopts best practice in governance arrangements and ensuring the retention and renewal of Board members as required.**

During 2024/25 we will:

1. Commence the recruitment of two new independent board members.
2. Review the support to the board and the wider governance framework including accountability to the shareholder and compliance with the subsidiary framework.
3. Implement a transparent nominations fee arrangement.
4. Implement a restructure to ensure efficient and effective operational delivery.

**Strategic Objective 6: Support the Council's need for specialist accommodation by developing innovative housing solutions.**

During 2024/25 we will:

1. Review any grant opportunities to maximise efficiencies, delivering schemes if the Council is unable to.
2. Facilitate 10 disabled facility grants.
3. Redevelop 2 properties for service users of the Learning Disabilities Team.
4. Collaborate with the Council's Leaving Care Team to explore innovative housing solutions.

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## 5. Financial Strategy

Housing Gateway has two clear priorities; to facilitate the temporary accommodation stock transfer and to expand its portfolio by purchasing further properties.

HGL has reviewed the financial model and the combination of the longer finance for the core portfolio.

HGL have developed:

- A 30-year financial business plan
- A Treasury strategy that supports the 30-year plan.
- A capital programme.

Housing Gateway Ltd retains a portfolio worth £161m at the end of March 2024, with borrowing at £133m. Short term loans are set to be refinanced to long-term loans, minimising adverse interest rate exposure. HGL's outlook for the next 12 months remains positive, with the current assumptions that HGL are projecting to make £1m cumulative profit. In the sector it is regarded as one of the most successful local authority owned housing companies.

The growth strategy builds on the refinanced model and enables the acquisition of an additional 130 units over the next 12 months. HGL estimates the cost of purchasing these properties to be £14m. Further capital spend on existing stock will result in an overall borrowing requirement of £19m in 2024/25. This growth is subject to it being the best solution for the Council.

HGL has continued to meet all its loan obligations throughout the life of the company. HGL's forecasts and timeliness in repaying interest and capital repayments, demonstrate its continued ability to service these costs, with interest cover of 2.1 for the forecast year.

If assumptions hold, indicative figures highlight that Housing Gateway Ltd will generate an annual turnover of £38m by 2024/25. Whilst HGL is expected to be profitable throughout the period covered in this business plan, cash flow will remain a challenge due to loan repayments and rent collection from the temporary accommodation scheme.

It is important to note that Housing Gateway's main expenditure items are interest charges, debt repayments, service levels agreements and routine repairs and maintenance. Any reductions in these costs would improve the company's profitability. Recovery of tenancy arrears relating to the Temporary Accommodation scheme will be tightly monitored as this product differs in nature from the current schemes provided.

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## 2023/24 Draft Outturn

The 2023/24 accounts are in draft at this point in time and show that HGL made an operating profit of £578k, after recognising an additional works requirement of £1.2m at Brickfield House. After adjustments for the revaluation on the property portfolio arising from housing market conditions HGL made a final loss before tax of £1.58m.

The adverse valuation represents a 1% reduction in fair value since 2023 however, HGL's portfolio has strengthened since purchase, with a cumulative fair value uplift of £3.04m (2%) to date (including the latest valuation).

It is worth noting that for newly purchased properties, these will tend to create a negative valuation in the early years as the capitalised SDLT is greater than any uplift in market value. As HGL purchased 37 properties in the previous year, these attracted a downturn of £420k. Retention of properties facilitates greater capital appreciation.

## Income Statement

HOUSING GATEWAY LIMITED	2023/24	2024/25	2024/25	2024/25
	<i>Draft</i>		HGL	EL
INCOME STATEMENT	£000	£000	£000	£000
Turnover	17,357	38,540	11,962	26,578
Property Operating Costs	(7,000)	(29,108)	(3,237)	(25,871)
Administrative Expenses	(6,832)	(2,756)	(2,075)	(680)
Grant Income	286	313	313	0
EBIT	3,811	6,989	6,963	26
RCCO	0	(1,203)	(1,203)	0
Interest Payable	(3,233)	(4,024)	(3,999)	(25)
PBT & Fair Value Adjustments	578	1,762	1,761	1
Changes in fair value of investment property	(2,156)	0	0	0
PBT	(1,578)	1,762	1,761	1
<b>Profitability Ratios:</b>				
PBT margin (excluding revaluation)	<b>3%</b>		<b>15%</b>	<b>0%</b>
Property Service Costs	<b>4%</b>		<b>2%</b>	<b>N/A</b>
Total Asset Turnover	<b>10%</b>		<b>7%</b>	<b>N/A</b>

From September 2023 a gradual migration of the temporary accommodation stock has taken place. Due to the change in the nature of the business that this has brought about - the business changing from a majority owned asset base to a majority leased asset base - it is not possible to compare 22/23 – 23/24 on a like for like basis.



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**Profit Margin:** HGL's profit against total revenue generated. HGL's net income was impacted by £2.2m loss in valuation at 31/3/24. The profit excluding the valuation was £578k. The 24/25 projected breakeven position in Enfield Let is achieved via a nominations fee, paid by the Council, of c.£500k. Further scrutiny will be applied as the business develops, especially surrounding landlord rates and bad debt provisions.

The nominations fee is an indicative amount which HGL and the Council will work collaboratively to minimise. There are many interdependencies which will impact the nominations fee including rate of transfer, landlord rates, rental income collection and bad debt. Further scrutiny will be applied to this as the business develops to ensure maximum efficiency.

**Property Service Cost:** HGL is spending approx. 2% in property service costs to maintain and run its total assets.

**Total Asset Turnover:** HGL is generating healthy revenue from total assets of 7%.

## Balance Sheet

HOUSING GATEWAY LIMITED	2023/24	2024/25	HGL	EL
BALANCE SHEET	£000	£000	£000	£000
Tangible Assets	124	106	106	0
Investment Properties	160,644	171,837	171,837	0
Cash	755	2,069	1,326	743
Debtors and prepayments	5,647	2,223	1,009	1,214
<b>Total Assets</b>	<b>167,170</b>	<b>176,236</b>	<b>174,279</b>	<b>1,957</b>
Debt outstanding	132,629	140,233	140,233	0
Government grants	12,621	11,104	11,104	0
Other liabilities	11,392	9,490	6,989	2,501
Shareholder equity	5,000	5,000	5,000	0
Reserves	5,529	10,409	10,952	(543)
<b>Total Liabilities and Equity</b>	<b>167,170</b>	<b>176,236</b>	<b>174,279</b>	<b>1,957</b>
<b>Working Capital Ratios</b>				
Working capital ratio CA-CL	(4,990)	(24,198)	(4,654)	(543)
<b>Gearing Ratio:</b>				
Working Capital Ratio	1:2	1:2	1:3	1:1
Interest cover - PBIT/interest*	1:1		2:1	N/A
Debt ratio - Debt/Assets	94%	91%	91%	N/A
Equity ratio - Equity/Assets	6%	9%	9%	N/A
Asset Efficiency	2%	5%	4%	1%

\*No borrowing requirement for Enfield Let.

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**Working Capital:** HGL's working capital will be a point of focus. Once HGL has replenished revenue cash (which has temporarily supplemented capital expenditure) via borrowing, working capital is anticipated to improve. In 2024/25 working capital of £1m is required to assist in the implementation of the temporary accommodation scheme.

**Interest Cover:** HGL has sufficient profit from operations to cover interest expenses.

**Debt Ratio:** Over 80% of HGL's total assets are financed by loans. HGL makes payments towards the capital element of the loan meaning that the debt ratio will improve over the life of the asset.

**Equity Ratio:** Equity against total assets gradually increases as HGL continues to make profit and build on its reserves.

**Asset Efficiency:** HGL is generating a healthy return from total assets.

## Portfolio Growth

The business plan assumes the property portfolio increases from 1,332 in 2024/25 to 5,163 including the TA transfer.

The property portfolio increases rapidly in 2024/25 as the temporary accommodation programme progresses. The turnover reflects part year rental income of properties in the year of acquisition. A full year impact will not be seen until subsequent years. The property costs are reflective and in line with the acquisition programme.

## Capital Programme and Borrowing Requirements

HGL's planned acquisitions and capital works are underpinned by an agreed Capital Programme, which provides a facility of £29m for 2024/25.

The major works and energy efficiency works will be funded from Revenue Contributions to Capital outlay (RCCO). HGL will borrow to buy properties and to fund the major work at Greenway House and Brickfield.

<b>HGL Capital Programme</b>	<b>Budget</b>	<b>Forecast</b>
	<b>2024/25</b>	<b>2025/26</b>
<b><u>Expenditure</u></b>		
Investment in stock	1,201,463	1,331,546
Major Works Greenway House	2,500,000	1,500,000
Major Works Brickfield	2,700,000	-
Investment in acquisitions	22,128,724	TBC
<b>Total</b>	<b>28,530,188</b>	<b>2,831,546</b>

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<b>Funded by:</b>		
Revenue Contribution to Capital Outlay	1,201,463	1,331,546
Borrowing	27,328,724	1,500,000
<b>Total</b>	<b>28,530,188</b>	<b>2,831,546</b>

## 6. Risks & Controls

As part of HGL's strong governance framework risks are continuously assessed, monitored and mitigated. Financial risk refers to HGL's ability to manage debt and HGL's ability to fulfil financial obligations. Although It is difficult to monetise these risks, HGL Finance Committee have set controls specifically to minimise financial risks.

Firstly, HGL have determined a minimum (usable) reserve level, this takes in to account the factors listed below and has been set at £1.3m. Secondly, HGL have agreed to maintain a minimum cash balance. This has been also been determined at £1.3m (to match the usable reserves) of 2024/25. Going forward this control will be recalculated each year.

HGL recognises that it has the potential to deliver a return to the Shareholder in several ways e.g., dividend, savings, reduced nomination fee. As a result, HGL will collaborate with the Council to create a policy outlining the preferred use of profits.

HGL has identified several financial risks specific to HGL which have been taken into account in this assessment. The list below is not exhaustive and highlights some of the considerations:

- Ability to repay loans.
- Costs relating to building works to ensure buildings comply with new Health and Safety regulations.
- An increase in the Major Repairs works for Brickfield and Greenway.
- The Council no longer lending to HGL.
- Increased bad debt provision.
- Changes in government legislation.
- Increase in PWLB rates, leading to an increase in borrowing costs.