



London Borough of Enfield

Report Title	Housing Gateway Ltd - Update
Report to	Housing & Regeneration Scrutiny Panel
Date of Meeting	21 st October 2024
Cabinet Member	Cllr Guzel
Executive Director / Director	Joanne Drew
Report Author	Kayt Wilson. Kayt.wilson@enfield.gov.uk
Ward(s) affected	N/A
Classification	Part 1
Reason for exemption	

Purpose of Report

1. The purpose of the report is to provide a mid-year update of Housing Gateway Ltd's (HGL) progress against the agreed business plan.

Main Considerations for the Panel

2. Housing Gateway Ltd (HGL) has progressed well during the first half of the year. Clear strategies were agreed in the annual business plan and this continues to be the focus for the organisation.
3. HGL is a wholly owned Council company. Its founding purpose was to assist the Council in reducing its temporary accommodation budget pressure. It offers assured shorthold tenancies, which from April 2024 have been on market rents, against which the Council can discharge its homelessness duties and these homes can be held in the company over the long term. This provides a tenure solution that the Council cannot

provide. It also provides accommodation under lease arrangements and Temporary Accommodation on LHA rent levels.

4. Since HGL's inception, it has built up a portfolio of 2,218 homes. HGL has provided a quality solution to families and is well placed to scale up to tackle the Council's challenge of eradicating the use of temporary accommodation, preventing homelessness, as well as providing a wider range of rented products with more security than would otherwise be secured in the private sector.
5. HGL's business has expanded in to three main activities:

Business	No. Of Units	Assets	Rent levels	Use
HGL Core	675	Owned	Market	PRS discharge
EL: Managed	267	Leased	Market	PRS discharge
EL: AA	1,276	Leased	LHA	Temporary accommodation
Total	2,218			

6. **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.**
7. The use of HGL's property portfolio provides the Council with alternative homes rather than using unsuitable, expensive, temporary accommodation. HGL's owned portfolio has delivered savings of £14.3m against the Councils' temporary accommodation budget.
8. HGL and the Council have collaborated to develop an open book nomination fee arrangement. This ensures that the efficiencies are maximised and the minimum level of nomination fee is applied. To date HGL has received £3.3m nomination fee in 24/25.
9. HGL has been focussing on rent collection levels and process as this is a key driver of business efficiency and in turn the level of nomination fee required. Historically HGL has always had excellent collection rates with arrears at around 5% of annual rent roll. However, since the introduction of market rents and the transfer of temporary accommodation stock which has meant tenants have moved from Housing Benefit to Universal Credit with a different payment approach and cycle, income collection has been more challenging. Current arrears are now at around 16% - 20% of annual rent roll, depending on the housing product.
10. As with most new projects, there is a bedding in period and there was an anticipation in the short term that the arrears would increase. Accordingly,

HGL increased the bad debt provision in the budget and this will continue to be kept under review.

11. The Council's Income Collection Team, who deliver this service to HGL, have created a recovery plan and are focussed on improving collection rates. A risk to this recovery plan is capacity within the Income Collection Team, but they are meeting with HGL on a weekly basis to monitor both resource capacity and progress with the recovery plan.
12. **Strategic Objective 2: Collaborate with the Council to deliver the Temporary Accommodation stock transfer by developing Enfield Let, an innovative ethical lettings agency.**
13. HGL and the Council have successfully implemented the temporary accommodation stock transfer scheme. Since April 24 549 properties have been transferred bringing the total temporary accommodation portfolio within HGL to 1276.
14. Plans are also underway to acquire homes for temporary accommodation in target areas in the M62 corridor where more affordable homes are available for residents to settle into communities, assisting the Council to find much needed accommodation solutions.
15. HGL is progressing a restructure to ensure the most efficient business model to support the changing products and solution required by the Council.
16. **Strategic objective 3: Deliver demonstrably, good quality housing for residents ensuring the portfolio meets decency standards and aligns with the Shareholders decarbonisation strategy.**
17. HGL has traditionally purchased all properties as assets of the company. However, several new funding regimes have been introduced during 2024/25 which has necessitated a holistic view of the best way to purchase properties across the Council. As a result, HGL has developed to become the purchasing arm for the HRA, this allows the council to maximise available grant.
18. HGL has been tasked with delivering the properties detailed below on behalf of the HRA:

Targets	24/25			25/26			Total
	2 bed	3 bed	4 bed	2 bed	3 bed	4 bed	
LAHF	7	10	1	7	8	0	33
RtB		16	4		16	4	40
Total	7	26	5	7	24	4	73

19. To date HGL has procured and managed the purchase of 10 properties for the HRA, with the remaining 28 properties all under offer.

20. The Council is focussed on purchasing houses and flats where the Council holds the freehold. Properties not meeting these requirements are subsequently purchased by HGL, if financially viable. Since April 24 HGL has purchased 6 properties to be held within the company.
21. In line with the Council's Allocation Policy, HGL also continues to progress the purchase of properties in the North of England (M62 corridor). HGL has identified a company to assist with the property sourcing, purchasing and renovating process and anticipates purchasing 28 properties around the Liverpool area in the next 6 months.
22. HGL recognises the importance of good quality stock and the need for regular investment. As such a stock condition survey has been completed, which will be used to develop a capital works programme. HGL has budgeted for major works to extend the life of assets and as the capital works programme develops this will more accurately inform budgeting.
23. HGL owns two mid-rise blocks of flats: Brickfield and Greenway House. HGL is investing in both blocks via major works projects. Work is about to complete at Brickfield House improving the fire safety of the building. A professional team is currently being procured for Greenway House to complete the complex major works required to remediate the roof and improve fire safety.
24. **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.**
25. The Council continues to have sole nomination rights to HGL's portfolio. This enables the Council to place families in suitable accommodation rather than expensive and often unsuitable, temporary accommodation.
26. It is recognised that family circumstances change over time and HGL is collaborating with the Council to recruit a "Move On" officer who will assist families who are overcrowding or under occupying, to find their own alternative accommodation.
27. **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.**
28. HGL recognises that good company governance involves regular reviews of skills and processes. As such HGL will be undertaking a Director skills audit to ensure the company has the correct skill set to drive the strategic direction.
29. HGL has two independent, non-executive board Directors who provide excellent challenge and support to the company. Both Directors are coming towards the end of their tenure and as such HGL will be creating a succession plan to ensure effective leadership.

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

31. HGL supports the Council to provide suitable accommodation for some of Enfield's most vulnerable residents via several different schemes. HGL routinely works with the Disabled Facility Grant (DFG) team to adapt properties for service users with physical disabilities. To date HGL has 28 properties adapted via a DFG.

32. Additionally, HGL has purchased and redeveloped 4 properties to provide bespoke homes for service users with complex physical and mental disabilities. Each property requires full internal configuration and an average timescales of 1 year.

33. HGL is also working with the Council to develop a project to provide housing for care leavers, Stepping Stones. This is a challenging project due to the size and specific property requirements.

34. **Financial Position**

35. HGL remains in a good financial position having received an unqualified audit for 2023/24.

Revenue position

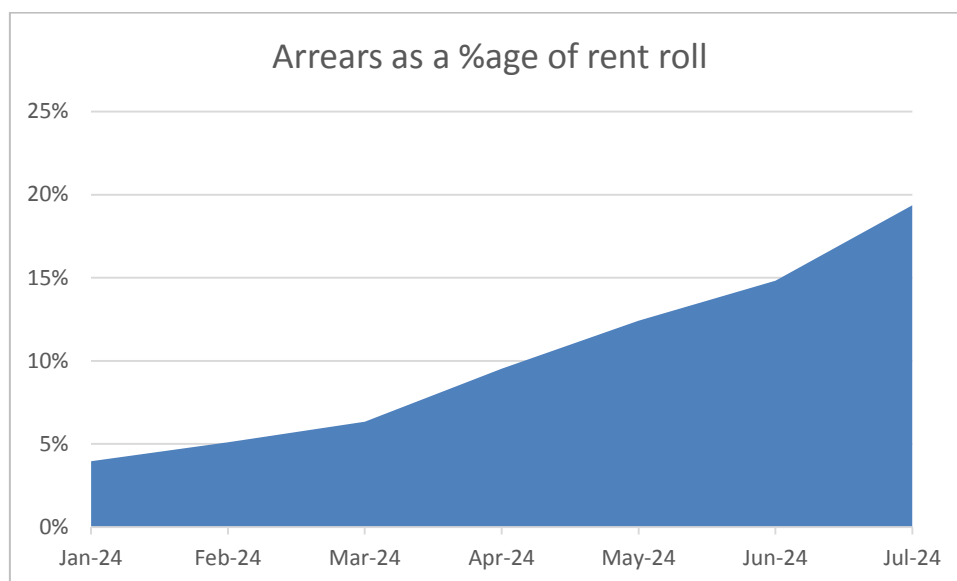
36. HGL's revenue position is presented in the table below:

	2023/24 final outturn position	2024/25 budget	2024/25 year to Aug 24
	£000	£000	£000
Profit before tax & fair value adjustments	540	1,762	1,223
Cash position	755	2,069	1,929

37. At August 2024 HGL is showing a profit of £1.2m, 16% ahead of budget. This is largely due to reduced spending on surveys. As mentioned previously HGL is focusing on purchasing properties on behalf of the HRA and therefore only purchasing properties via the company if the HRA has declined the properties.

38. The Enfield Let (EL) operating arm of HGL, which includes the temporary accommodation stock transfer, broke even by means of the nominations fee. The nominations fee continues to be driven predominantly by the bad debt provision and lease premium payable to landlords. Therefore, any improvement in the income collection will reduce the level of nominations fee required.

39. Consolidated gross turnover is £16m year to date (HGL £5m; EL £11m). This is 10% behind budget due to the pause in the temporary accommodation transfer scheme since late June.
40. The consolidated lease premium (lease fees payable to landlords) is £11m at August 2024, largely in line with budget.
41. Cumulative bad debt provision is £2.8m (HGL £0.6m; EL £2.2m) at August 2024. This is derived from total arrears of £7.6m (HGL £2.1m; EL £5.5m). It should be noted that these arrears are attributable to the lifespan of the company, the arrears relating to the market rent increase specifically are ~£981k and arrears relating to the temporary accommodation stock transfer are ~£4m.



42. These arrears have a direct impact on HGL's cashflow which is being closely monitored. Cash flow management is being prioritised as it is a key risk to financial health. This is monitored on a weekly basis with operational meetings taking place with key stakeholders from both HGL and LBE. Also, the bad debt and impact on cash flow is reported to Finance Committee on a monthly basis.
43. It should be noted that the arrears value drives the bad debt provision subsequently impacting on the profit. A review of bad debt provision calculation is underway to ensure that a prudent estimate is reflected in the profit and loss. Any deterioration in income collection would subsequently negatively impact future profits.

Dividends

44. HGL's projected profits in 2024/25 could be used to pay a dividend to its shareholders, if the HGL board decides that it is in the best interest of the company and its stakeholders.

45. In considering an approach to making dividend payments the HGL Board has developed a financial framework to ensure a sustainable financial position.
46. This framework includes:
- (i) Holding a desirable (usable) reserve level, based on total risk factors of £1.3m and
 - (ii) Maintaining a minimum cash balance, at the same level, £1.3m for 2024/25
47. There are several factors which will impact the company's ability to pay a dividend including the arrears position and nominations fee. HGL and the Council will work collaboratively to minimise the impact of these factors.

Capital expenditure.

48. HGL has a capital programme agreed by the Shareholder as detailed below.

	2024/25	2025/26	2026/27	Total	Funded by Borrowing
	£m	£m	£m	£m	£m
Capital Budget	29.4	35.9	17.0	82.3	82.3
Actuals at Aug 24	3.4	0.0	0.0	0.0	3.4

49. The Council continues to keep the purchasing programmes under review and every property in the pipeline will be subject to a review as to whether it is most efficient to finance it via HRA (for temporary accommodation) or HGL (for Private Rental Sector properties and/or TA). This is why the actual capital expenditure for HGL differs from the plans projected in the Business Plan.

Borrowing

50. The Council provides all of HGL's loans, the current loan profile is detailed below:

01.08.2024	Start Date	End Date	Interest Rates	Amount Outstanding
PWLB (Refinanced) 2020	01/04/2020	01/04/2095	2.50%	£115,594,767
Long-term Loan 2020.21	31/03/2021	31/03/2071	2.08%	£4,534,066
Short-term Loan 2021.22	01/04/2023	31/03/2025 (rolled over on	6.25%	£6,000,000

		temporary basis)		
Bridging loan	08/02/2024	31/03/25	6.25%	£6,500,000
Long-term Loan 2024.25	05/07/2024	04/07/2037	4.94%	£1,000,000
Long-term Loan 2024.25	05/07/2024	04/07/2031	4.94%	£4,000,000
Total				£137,628,835

51. HGL continues to meet all loan obligations in a timely manner.

Relevance to Council Plans and Strategies

52. 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 strategic priority, more and better homes.

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Appendices

N/A

Background Papers

Housing Gateway Business Plan 2024 - 25

Departmental reference number, if relevant: