



HOUSING GATEWAY
LIMITED

CHAIRPERSON'S REPORT

2014-15



34 FAMILIES MOVED OUT OF TEMPORARY ACCOMMODATION INTO MORE STABLE ACCOMMODATION IN THE PRIVATE RENTED SECTOR



SECURED £1.8M OF EXTERNAL FUNDING TO BRING EMPTY HOMES BACK INTO USE

72 PROPERTIES PURCHASED BY 31ST MARCH 2015



THROUGH REGULAR PROPERTY INSPECTIONS WE'VE BEEN ABLE TO MAINTAIN THE QUALITY OF THE PROPERTIES THROUGHOUT THE TENANCIES AND PRESERVE THE STANDARD.

PROPERTY MANAGER
ENFIELD COUNCIL

HGL HAS MADE SIGNIFICANT PROGRESS IN ITS FIRST SIX MONTHS OF OPERATIONS, WITH MEASUREABLE PROGRESS IN EACH AREA.

SOCIAL FINANCE

THE PROPERTY WAS NEWLY REFURBISHED AND VERY CLEAN WHEN WE MOVED IN AND IT SOON FELT LIKE HOME. IT WAS A REAL HELP TO RECEIVE WHITE GOODS AS WE COULDN'T HAVE AFFORDED THESE.

HOUSING GATEWAY TENANT

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FOREWORD

Dear Shareholder,

Since Enfield Council agreed to establish a wholly owned company in February 2014, as an innovative response to local housing pressures, significant progress has been made in developing the company and this first annual report sets out our key achievements.

In a context of increasing demand for housing and rising rental prices in the private rental sector, there was a pressing need to increase the supply of more cost effective accommodation and reduce the demand for temporary accommodation. Too many of our local residents were struggling to find accommodation they could afford in our borough and so we aimed to take forward a new, innovative business model to secure local properties for local people.

Housing Gateway Limited was established in March 2014 and I'm proud to have led the Board of Directors in making the concept a reality. We have developed a successful business that is reducing Enfield Council's budget pressures whilst also providing good quality and more cost effective accommodation to some of the borough's most vulnerable residents.

In the past year we have successfully established a Board of Directors with a wide range of expertise and knowledge to lead the company. Despite a number of challenges posed by the buoyancy of the local housing market, the company has performed well and exceeded expectations with regards to financial viability.

By 31st March 2015 we had purchased 72 properties and had a further 53 offers accepted and progressing. We are committed to providing quality accommodation and driving up standards in the private rented sector, so all our properties are renovated in line with our lettings standard before we place a tenant. In our first year of operation we successfully enabled the Council to move 34 families out of temporary accommodation into good quality, more stable accommodation. The remaining 38 properties were under renovation on 31st March.

By bringing empty properties back into use we secured £1.8m of GLA funding to improve the quality of these units. Housing Gateway has been regarded as an example of best practice for our approach to housing provision and we have received national recognition for our work, featuring in the Guardian and both national TV and radio broadcasts. We have also provided support and advice to a number of other local authorities seeking to replicate Enfield's model.

After a successful first year I am looking forward to working with my colleagues over the course of the next year to develop the company further and build on our portfolio of properties for local people.

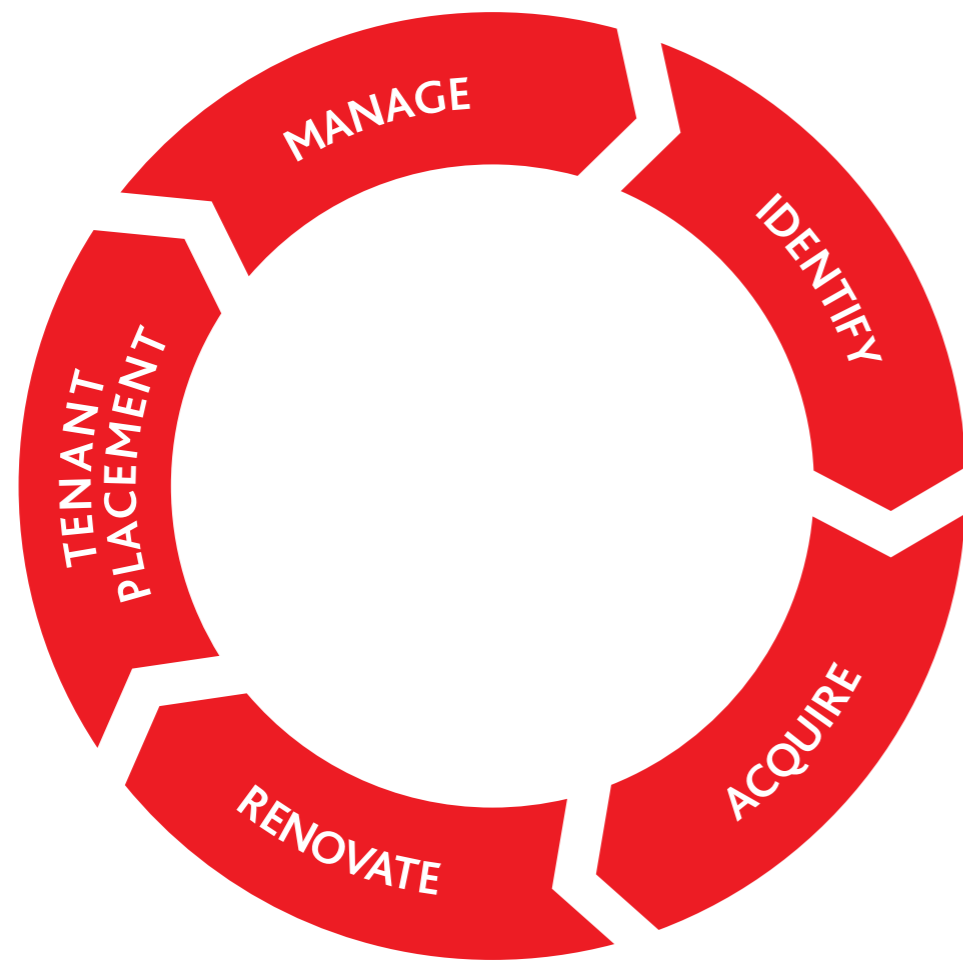
Andrew Stafford
Chairperson

CONTEXT

Over recent years, demand for housing in Enfield has significantly increased, whilst at the same time there is more competition for supply from other London boroughs and variable standards of accommodation across the private rented sector.

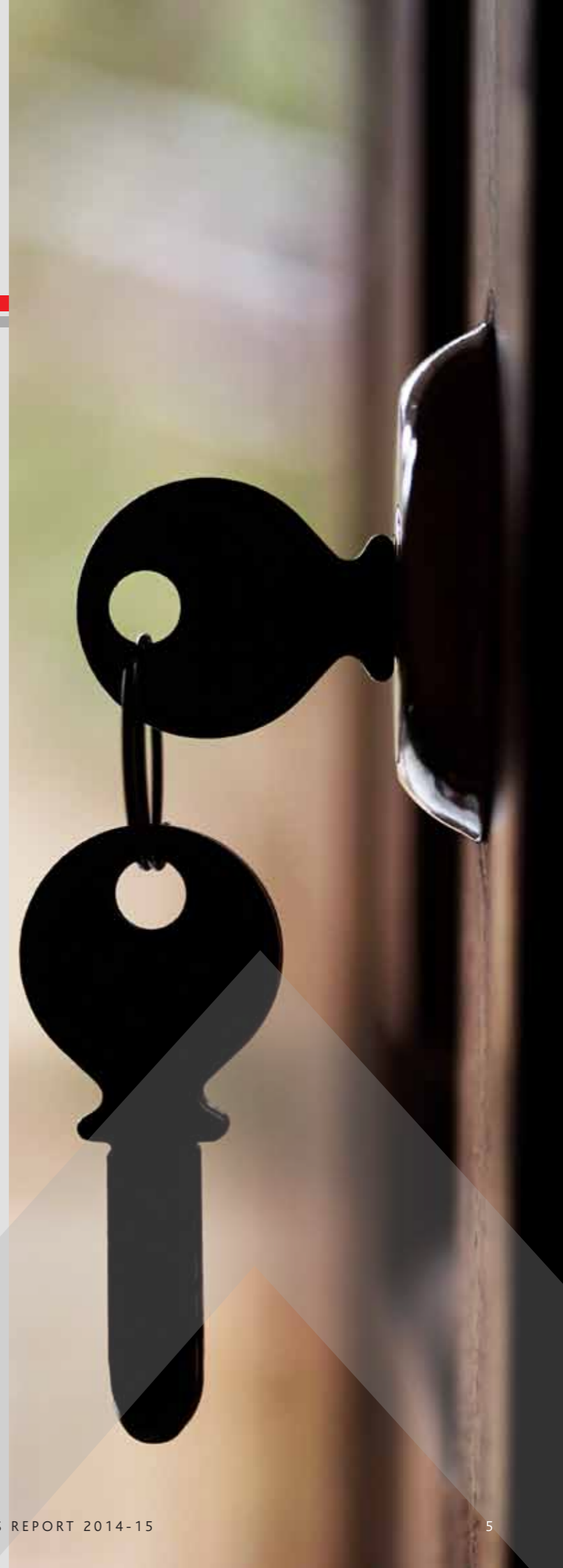
Established in March 2014, Housing Gateway Limited aims to improve the quality, availability and security of private rented sector accommodation for homeless households or those at risk of homelessness and to improve value for money to Enfield Council by reducing reliance on expensive Nightly Paid Accommodation.

The company's remit is to identify suitable properties, complete the acquisition process, undertake any necessary renovation to bring the properties up to the required standard and then provide ongoing property management.



HOUSING CONTEXT IN ENFIELD

- ▲ The number of households in temporary accommodation has risen from 2,188 in December 2013 to 2,764 households (9,670 people) on 31st March 2015. This reflects an increase of 576 households and over 26%.
- ▲ In March 2015 Enfield was ranked 5th highest nationally for the number of households in temporary accommodation.
- ▲ The number of households in expensive Nightly Paid Accommodation has more than doubled to 1,150 (compared to 480 in February 2014) with a further 78 in B & B accommodation at 31st March 2015.



THE BOARD OF DIRECTORS

We have established a Board of Directors with a wealth of experience across housing, finance and property sectors to provide strategic direction to the company and oversee performance. The Board meets monthly and, alongside providing scrutiny to the performance and financial position, sets guiding principles for property acquisition and company operation.



ANDREW STAFFORD – CHAIR

Andrew has been an active local Councillor for 20 years representing Edmonton; the poorest ward in the borough. He has also held the position of Cabinet Member for Finance for a total of 12 years. Andrew has extensive experience on committees, such as the Edmonton Partnership Initiative, which brought massive inward investment into the regeneration of Edmonton including the rebuilding of Edmonton Green. Prior to being a Councillor, Andrew worked in the shipping industry for 20 years and was Finance Director at an international container company for 10 years.



AHMET OYKENER – CABINET MEMBER FOR HOUSING AND HOUSING REGENERATION

Ahmet has extensive knowledge of housing issues through former roles as a local authority officer and more recently from his role as Cabinet Member for Housing and Housing Regeneration at Enfield Council since 2010. Through his day job as a company director he has developed expertise of running a successful company. Ahmet is passionate about improving housing, particularly for the most vulnerable, and is proud to be involved in developing innovative responses to tackle the housing issues faced in Enfield.



ACHILLEAS GEORGIU – BOARD DIRECTOR

Achilleas has been the Deputy Leader of Enfield Council since 2010. Previously, he has held positions in education, young people, environment and housing – he was chair of the Housing Scrutiny Panel for a number of years. He has previous company experience as a Director of Enfield Norse. Achilleas brings a wealth of experience from the private, public and non-governmental sectors to Housing Gateway Limited.



JAMES ROLFE – MANAGING DIRECTOR

As Director of Finance, Resources and Customer Services at Enfield Council, James holds responsibility for the Council's financial and resource management, the transformation agenda, corporate support services (e.g. legal, scrutiny), customer services and strategic property management. He is a Board Director for Enfield Norse, leads on the Council's commercial agenda, is the principal commercial adviser on the Council's regeneration programme, and is the Council's lead on the Government's Welfare Reform programme. James is also the lead officer for the Council's equalities work, in which Housing Gateway plays a major part.



KERRY KYRIACOU – BOARD DIRECTOR

Kerry brings with him extensive experience in both commercial and residential development. His background as a qualified architect and member of the Royal Institute of British Architects has been paramount to the creation of well-designed homes and communities. Kerry is an Executive Board member at Affinity Sutton, and is responsible for the Group's development and estate renewal programmes with a pipeline of over 10,000 homes, and the Group's market sale and shared ownership operations. Kerry brings a fresh perspective to Housing Gateway Limited.



JACQUI PORRITT – BOARD DIRECTOR

Jacqui has an excellent understanding of financial services and commercial development. Developed from senior roles in a number of organisations, Jacqui brings specific expertise in business planning, forecasting and budgeting to Housing Gateway Limited. She has previous experience as a former Board Director of the social enterprise arm of a large UK charity.



SALLY MCTERNAN – BOARD DIRECTOR

With thirty years' experience in the public sector, Sally started in the civil service and moved to local government in the mid 80's. A varied work history has enabled her to build up extensive knowledge of both the challenges and the joy of serving the diverse communities that live in North London. Senior management experience across a varied portfolio led Sally to her passion for housing and the promotion of good quality housing solutions for all. Fourteen years later and with extensive experience in both the strategic development and operational management of housing services, Sally works hard with her team to promote fairness, independence and housing choice as core values. As Assistant Director of Community Housing at Enfield Council, Sally brings a strong understanding of the needs of local people to the Board, particularly in the context of welfare reform and the pressures of the volatile London housing market.



ASMAT HUSSAIN – COMPANY SECRETARY

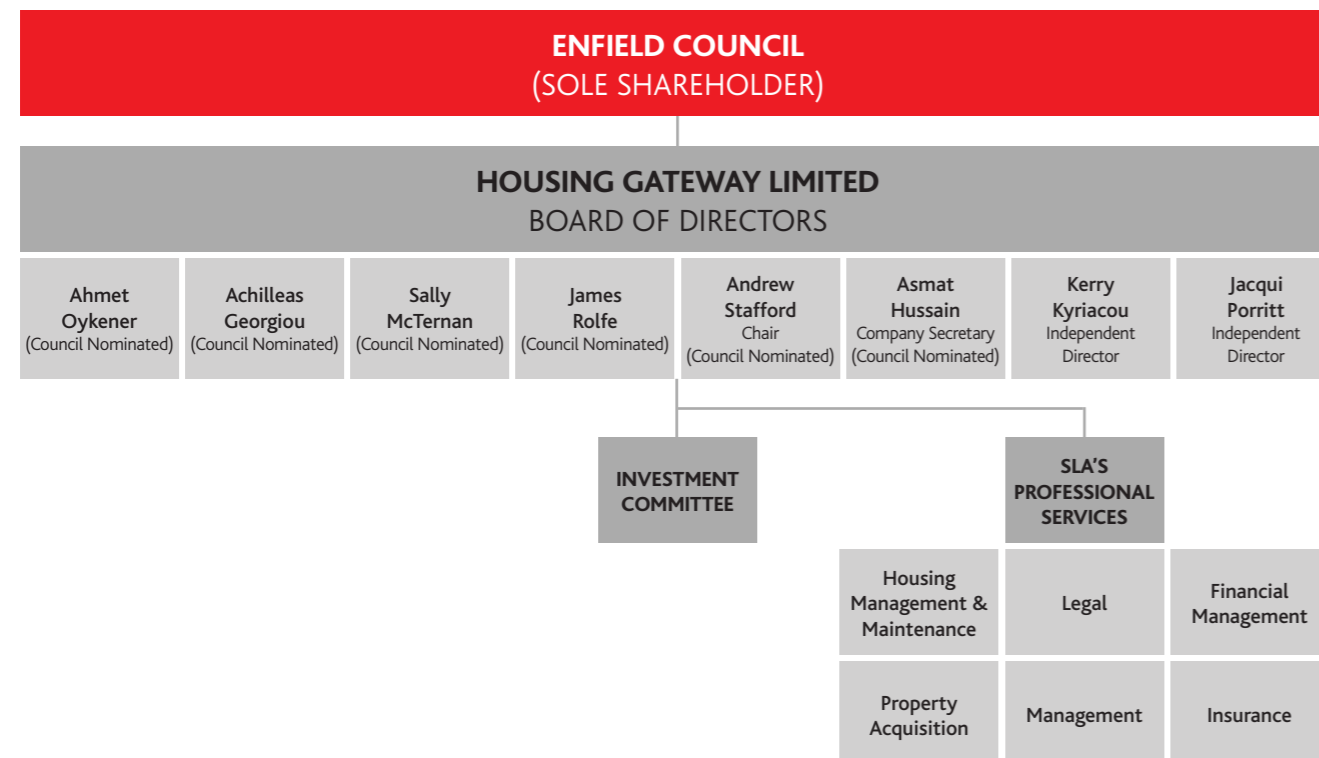
Asmat is a highly skilled local government officer and has held the post of Assistant Director of Legal and Governance at Enfield Council since 2010. Asmat is a trained solicitor and her role includes responsibility for the legal team and a focus on increasing transparency and public engagement on decision making processes at Enfield Council, whilst maintaining effective controls and assurance. Asmat is currently the Council's Monitoring Officer.

HOW ARE WE STRUCTURED?

The Board of Directors provides strategic direction and leadership to the company and scrutinises its performance. To enable the company to operate effectively the Board of Directors has delegated decisions on the acquisition of individual properties to an Investment Committee, with input from Property, Finance and Housing.

The Investment Committee considers properties that have been viewed by a surveyor and makes a decision about whether to proceed to make an offer on the basis of the individual property business case. If the properties are deemed to be suitable and financially viable, the Investment Committee will agree a target and maximum price, to provide scope for negotiation by the officers in liaison with the agents. The Investment Committee is responsible for governing decisions on individual property purchases to manage the financial interests of Housing Gateway Limited and the Council as sole shareholder.

Housing Gateway Limited does not have any directly employed staff and accesses professional services from the Council via a series of Service Level Agreements and a Housing Maintenance and Management Agreement. This includes: Property acquisition; financial management; allocations and property management; legal; management and; insurance.



OPERATIONAL PERFORMANCE

We recognise that good operational performance is integral to the success of the company.

We have devised a performance framework to report progress on acquisitions, financial viability and costs, timescales for tenant placement, rent collection and housing management. The performance report is reviewed by the Board of Directors on a monthly basis, to monitor performance against the targets and agree corrective action where required, providing appropriate scrutiny to day to day operations. The Board also holds responsibility for governance and risk management and review the risks and appropriate mitigations on a monthly basis.

Over the course of the year, processes and procedures have been developed and refined to ensure these are fit for purpose. We have made tangible progress in developing operational effectiveness as a result. This has included a decision to amend the purchasing strategy from the Council purchasing properties and then transferring properties to the company following completion of the renovation work, to direct purchase by the company, following an analysis of costs and operational handoffs. This has reduced the number of steps in the process, eliminated duplication and improved timescales for placing a tenant.

All professional services are provided by Enfield Council, governed by a series of Service Level Agreements which clearly set out the standard of service required. A quarterly review meeting has been held with the lead officer to review performance and make any adjustments required throughout the year.

We are committed to be a high performing company, so commissioned an external six month review, undertaken by Social Finance, to assess progress and identify opportunities to improve further. This concluded that "HGL has made significant progress in its first six months of operations, with measurable progress in each area". Following the review we developed an action plan to address the recommendations and we implemented these during the second part of the year, which have had a positive impact on our ways of working.



OVERVIEW OF PERFORMANCE

WHAT WE AIMED TO DO

WHAT WE'VE DONE

OUR PRIORITIES GOING FORWARD



Secure local properties for local people

- ▲ Developed relationships with local estate agents
- ▲ Viewed 323 properties and considered these against the agreed financial and suitability criteria
- ▲ Purchased 72 units
- ▲ Offers accepted on a further 53 properties
- ▲ Offered 34 refurbished properties to local people at sub market rates that are affordable and comparable to Local Housing Allowance

- ▲ Continue to acquire properties, focusing predominantly on 2, 3 and 4 beds



Set exemplary landlord standards with well managed and maintained accommodation

- ▲ Developed a Letting Standard to guide renovations
- ▲ Renovated 34 properties
- ▲ Further 38 properties under renovation
- ▲ Invested £300,000 to improve the quality of accommodation and committed a further £450,000
- ▲ Management arrangements in place for all tenanted properties

- ▲ Continue to invest in improving the quality of our portfolio, ensuring the lettings standard is met prior to tenant placement
- ▲ Review the condition of the stock to ensure necessary maintenance is undertaken



Improve value for money to Enfield Council by reducing the reliance on Nightly Paid Accommodation

- ▲ 34 families supported to move out of expensive Nightly Paid Accommodation into a high quality property
- ▲ Provided an alternative source of accommodation for the Council whilst demand for temporary accommodation is growing

- ▲ Continue to acquire properties that are available for local residents and offer value for money and greater security for the tenants



Deliver a financially viable business model

- ▲ Secured a more competitive interest rate than targeted
- ▲ Secured £1.8m of GLA funding to bring empty properties back into use
- ▲ Exceeded the target yield across the portfolio
- ▲ Sustained a positive cash flow and reduced the level of initial working capital required

- ▲ Review company finances on a monthly basis
- ▲ Explore opportunities to obtain external funding
- ▲ Manage the purchasing strategy to ensure that the target yield continues to be met

PROPERTY ACQUISITION

SECURE LOCAL PROPERTIES FOR LOCAL PEOPLE

Due to an increasing demand for housing across London, more boroughs are placing tenants in Enfield, reducing the number of properties available for local residents. We aimed to directly acquire local properties that can provide a home for local people that they can afford.

Over the course of the year we have made contact with local estate agents and developed good working relationships with a large number of these. In addition, we launched an online form so anyone interested in selling their property can contact us directly.

Following an initial screening process we have viewed 323 properties and these have been considered by the Investment Committee against the agreed financial and suitability criteria. Of these, 238 properties were approved by the Investment Committee and offers were made. By 31st March 2015 we had purchased 72 units and had offers accepted and proceeding on a further 53 properties.

We are committed to providing quality accommodation, so all our properties are renovated to meet our lettings standard after acquisition. In Year 1 we enabled the Council to move 34 families out of unstable temporary accommodation into a suitable property with a greater level of stability. The remaining 38 properties were under renovation and due to be available for tenants from April onwards.

All our properties have been leased at sub market rent, comparable to Local Housing Allowance, to ensure the rent is at a level the tenants can afford; reducing the risk of eviction, which is continuing to rise in the private rented sector.



CASE STUDY 1

- ▲ A 24 year old female with two children under the age of two was made homeless after being evicted from her property.
- ▲ She approached the Council for help finding another property and was placed in temporary nightly paid accommodation for six months before offered a Housing Gateway property.
- ▲ The tenant has settled well and was very pleased that the kitchen had a fitted cooker and that a fridge and washing machine was supplied.



I was really pleased to be offered the property and it has given me the chance to settle in a house with my children where we are all very happy.



CASE STUDY 2

- ▲ A 46 year old female and her 12 year old daughter became homeless in May 2014. They spent nine months in temporary nightly paid accommodation before moving into a Housing Gateway property.
- ▲ The tenants were supplied with a new cooker and fridge at the start of their tenancy which they found very helpful.



I am really pleased with this property. It is newly decorated and it is very close to my work, which has been really useful.



CASE STUDY 3

- ▲ A mother with three children was made homeless after being evicted.
- ▲ The family approached the Council for support and was placed in temporary nightly paid accommodation in April 2013 for 19 months before moving into a Housing Gateway property.



It was a real help to receive white goods as we couldn't have afforded these. The property was newly refurbished and very clean when we moved in and it soon felt like home.



QUALITY OF ACCOMMODATION

SET EXEMPLARY LANDLORD STANDARDS WITH WELL MANAGED AND MAINTAINED ACCOMMODATION

The quality of accommodation and the standard of management are variable across the private rented sector. We aimed to set exemplary landlord standards to improve the quality of private rented accommodation in the borough, ensuring consistency across our portfolio.

We have devised a Letting Standard which all our properties must meet before we place a tenant. This ensures that all properties meet the safety standards for housing, are in a reasonable state of repair, have reasonably modern facilities and services and have efficient heating and effective insulation. The renovation requirements for individual properties are assessed prior to purchase, so preliminary costs can be factored into the financial viability case for the acquisition.

By March 2015 we had invested approximately £300,000 to renovate 34 properties, improving the quality of housing stock and ensuring residents could live in a safe environment. We committed a further £450,000 to renovate an additional 38 properties. At the start of each tenancy we make provision for white goods to ensure that tenants have the facilities they need and the support to set up home and maintain this to a good standard in the private rented sector.

We have appointed Enfield Council as managing agents of the properties and set out our expectations and required standards in a Housing Maintenance and Management Agreement, which is reviewed on a quarterly basis. This includes property management, customer services, rent assistance, maintenance and caretaking. As part of this we will actively seek tenant feedback, undertake routine inspections and ensure that all necessary health and safety checks are carried out.



BEFORE



AFTER



We've found it much easier to rent Housing Gateway properties. They are of good quality and the provision of white goods makes them appealing to tenants. Through regular property inspections we've been able to maintain the quality of the properties throughout the tenancies and preserve the standard.



PROPERTY MANAGER, ENFIELD COUNCIL

VALUE FOR MONEY

IMPROVE VALUE FOR MONEY TO ENFIELD COUNCIL BY REDUCING THE RELIANCE ON NIGHTLY PAID ACCOMMODATION

At the same time as demand for housing is increasing, there has been a shift by landlords to expensive Nightly Paid Accommodation. This has contributed to significant pressures on the temporary accommodation budget and reduced the supply of value for money accommodation for local residents. Our aim was to provide an alternative to Nightly Paid Accommodation in the private rented sector and therefore reduce temporary accommodation budget pressures.

By 31st March 2015 we had enabled the Council to move 34 families out of expensive and unstable Nightly Paid Accommodation into a suitable property that met their needs and provided a greater level of stability with a 12 month tenancy.

This has helped to manage the temporary accommodation budget pressures, as the Council does not need to provide an additional subsidy, as the rent is sub market and comparable to Local Housing Allowance, so is affordable to the tenant group.

With a further 38 properties under renovation at the end of Year 1 and 53 additional properties due to be purchased, we are successfully providing an alternative source of well-managed, quality accommodation for the Council, which is proving valuable in the context of increasing demand and rising costs.



FINANCIAL VIABILITY

DELIVER A FINANCIALLY VIABLE BUSINESS MODEL

At the outset we developed a robust financial model capturing all expected income and expenditure over a 35 year period. We secured a loan from Enfield Council to be accessed in a phased way over a five year period, with agreement for initial working capital to cover the early years where costs were expected to be greater than the rental income.

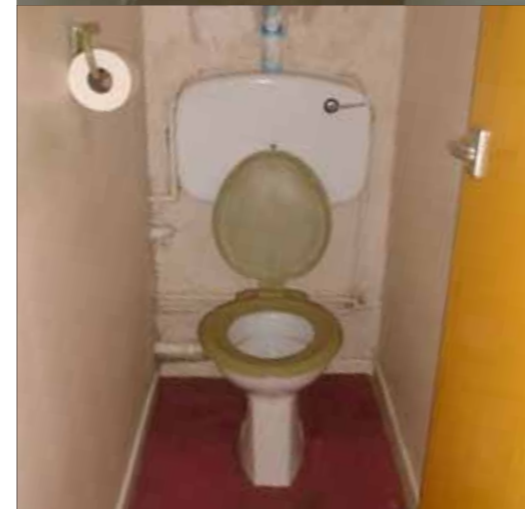
The Board of Directors has scrutinised the financial standing of the company on a monthly basis throughout Year 1 and sought an independent review and comparison to the original business case. Notwithstanding a requirement to establish the company and create the necessary infrastructure, coupled with challenging market conditions during the first year, the company has performed well.

We have reviewed all available loans and secured a more competitive interest rate than targeted, which has had a positive effect on the cashflow. We continue to review the most advantageous terms for each instalment of the loan, to maximise value for money.

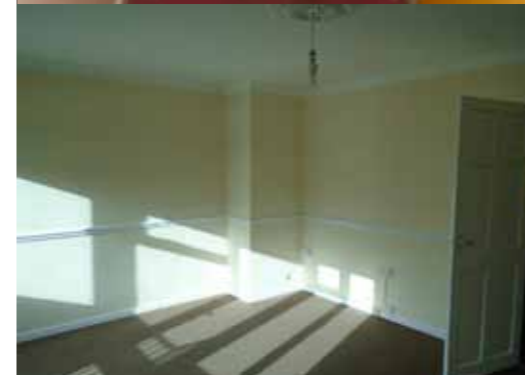
In March 2015 we secured £1.8 million of GLA empty homes funding to bring empty properties back into use and renovate these in line with our Letting Standard, which has had a positive effect on our financial model. In addition, on 6th April the Local Housing Allowance increased by 4% for one and two bedroom properties and 1% for 3 bedroom properties, which has delivered further benefit to the company through a higher level of rental income than the original financial model assumed.

In Year 1 we exceeded the target yield across the portfolio. The company performed better than expected in relation to controlled costs, arising mainly from the lower financing costs, changes to Stamp Duty Land Tax calculations and grant funding, which has resulted in a positive cash flow and our working capital requirements have been less than anticipated. Given the progress made we are expecting to generate a surplus earlier than expected if the pace of acquisition continues, that can be reinvested back into local services. The financial model does not take into account capital appreciation, which is also increasing and providing further longer term benefits to the company that are not currently factored in.

Overall, we have secured a steady income stream and will have acquired a significant number of assets at the end of the loan term, whilst at the same time, contributed to a reduction in temporary accommodation budget pressures and established a financially viable company performing better than anticipated when compared to the baseline financial model.



“
WE HAVE CONTRIBUTED TO
A REDUCTION IN TEMPORARY
ACCOMMODATION BUDGET
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A FINANCIALLY VIABLE
COMPANY, PERFORMING
BETTER THAN ANTICIPATED
WHEN COMPARED TO THE
BASELINE FINANCIAL MODEL.
”



HOUSING GATEWAY LIMITED IS OWNED BY ENFIELD COUNCIL
COMPANY REGISTRATION NO: 8938527

