

London Borough of Enfield

Housing Scrutiny Panel – Wednesday 22nd March 2023

Subject: Housing Gateway Ltd

Cabinet Member: Cllr George Savva

Director: Joanne Drew

Purpose of Report

1. This report provides an update on the performance of Housing Gateway Ltd (HGL) and is for information.

Relevance to the Council Plan

2. Good Homes in Well Connected Neighbourhoods – HGL supports the Council in delivering the aims of its housing strategy. HGL's purpose is "to provide quality housing for Enfield residents to help the Council end the use of temporary accommodation". Furthermore, the core values align to those of the Council's homelessness model which focusses on homeless prevention and strengthening the rights of the tenant. HGL's ethical lettings agency, Enfield Let, has been designed to provide improved access and greater security of tenure for families renting in the private rented sector.
3. HGL and Enfield Let also support the Council's Licensing scheme and aspiration to improve the standard of accommodation in the private rented sector. HGL and Enfield Let set exemplary landlord standards by ensuring the stock is well maintained and managed.

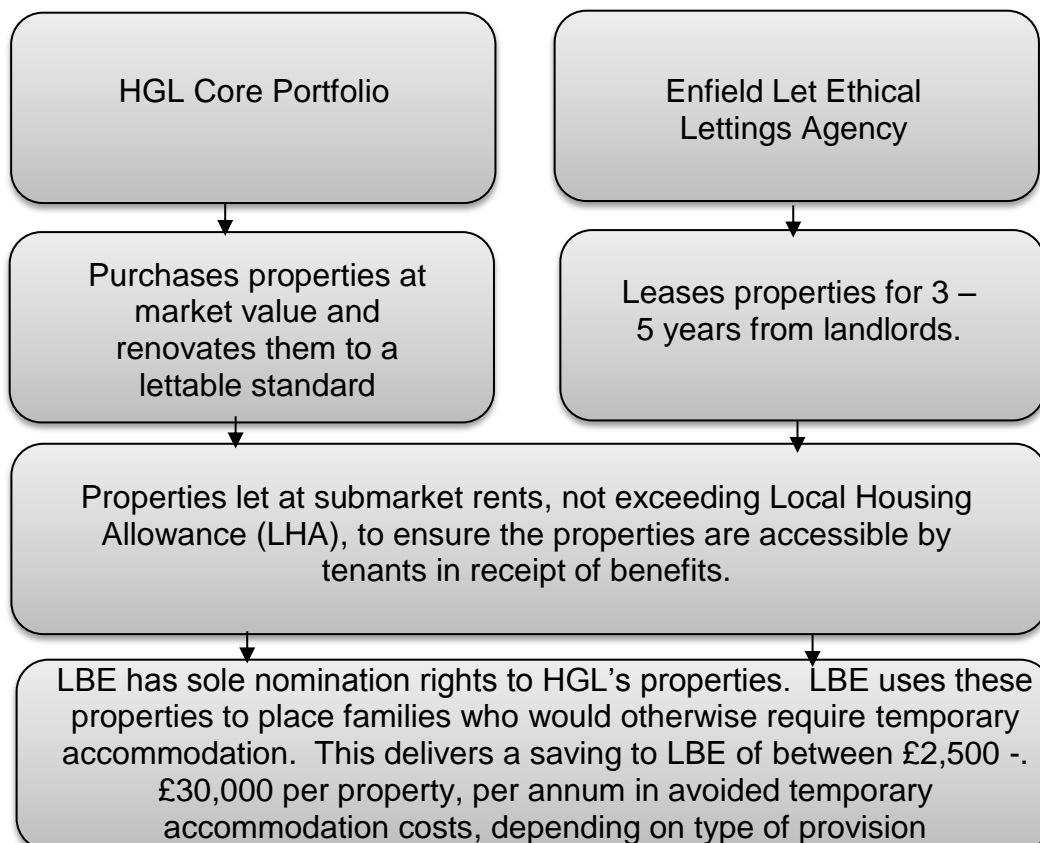
Background

4. HGL was created in 2014 as a response to the Council's budget pressure on temporary accommodation. HGL was initially commissioned to purchase 100 properties that could be used as an alternative to temporary accommodation. Since this time HGL has expanded its portfolio to 648 properties and diversified to create an ethical letting agency, Enfield Let. HGL also provides specialised housing for severely disabled service users and has purchased accommodation for rough sleepers.
5. HGL is now one of the largest and to date, most successfully funded and operated local housing companies.
6. HGL has a clear mission:
 - Deliver demonstrably, good quality housing for residents through a variety of products suitable for residents on low to median income levels. Deliver increased housing supply to the Council with at least an additional 270 units by 2025. Ensuring that the best use of the housing stock is being made to benefit residents in most need, providing

opportunities within the stock portfolio for residents to move to more suitable accommodation, as needs change.

- Expand Enfield Let, an innovative ethical lettings agency, providing an excellent service for tenants and landlords alike. In doing so providing significant cost savings to the Council and reduction in the use of temporary accommodation. Establishing a portfolio of 780 units by year 2025.
- Deliver savings to the Council of at least £2m pa, contributing to the Council's financial pressures arising from the shortfall in the provision of temporary accommodation.
- Ensure a suitable financing structure for the company. Either return 50% of post-tax profits to the Shareholder each year in the form of a dividend providing the Council with an additional cash injection or invest in additional housing to meet housing needs.
- Ensuring high standards of customer service adopting the relevant measures promoted in the Fairer Private Sector Renters White Paper.
- Develop a strategic asset management plan to support a 30-year financial plan which will ensure investment in homes to meet the Decent Homes standard and to achieve EPC B on energy efficiency by 2030 and the future requirements of the Building Safety regime.

7. HGL's main business streams are purchasing and leasing properties:



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All core activities are delivered by LBE via service level agreements, which enables a joined up, Council led service

Main Considerations for the Panel

8. In 2022/23 HGL has continued to expand its portfolio and deliver innovative solutions to the Council. It has been a challenging year due to the increases in interest rates, impact on the housing market and cost of living crisis being experienced by residents.

HGL Core Portfolio

9. Since HGL's inception in 2014 it has grown its core portfolio to 648 properties. The portfolio provides a stable private rented housing solution for families who would otherwise be placed in temporary accommodation.
10. As the Council has sole nomination rights to HGL's portfolio, the use of these properties has saved the Council c. £13.2m to date. By providing affordable accommodation as an alternative to temporary accommodation this delivers a saving of up to £30k per property, per annum depending on the type of temporary accommodation that is being provided.
11. The mini budget in September 2022, has had a negative impact on HGL's business plan, like many other housing providers, as interest rates have increased dramatically. HGL's purchasing model assumes LHA rents and therefore costs, including interest costs must be affordable. The impact of the interest rate increases has been that HGL cannot offer market value for properties as LHA has not risen proportionately.
12. HGL reviewed its financial modelling following the mini budget and took the decision to complete purchases associated with the Rough Sleeping project, as this attracts grant, whilst pausing offers on new purchases unless they met hurdle rates.
13. Despite the interest rate challenges of the latter part of the year, HGL has purchased 34 properties against a target of 70. It is not anticipated that HGL will purchase any further properties this financial year.
14. Whilst HGL has a capital allocation within the Council's capital finance budget, HGL only draws down the funds required when properties are being purchased. Therefore, there is no cost of carry to either LBE or HGL for the unused capital allowance. Via the Council's Capital Finance Board, the capital requirement is reviewed and adjusted on a quarterly basis.
15. HGL's business model is viable based on the current portfolio and does not need growth to be successful. However, as its role is to deliver a supply of accommodation to the Council, alternative delivery models and

financial criteria are being reviewed as the Council's costs of TA increase as a result of the use of commercial hotels due to the absence of PRS properties. It is HGL's aim to begin purchasing properties to support the Councils bed and breakfast reduction strategy and subject to market conditions.

16. HGL's operations are delivered by the Council and are performing well. HGL has very few void properties, 10 to date this year, with a current average time taken to re-let of 33 days.
17. HGL is actively supporting the Council's Landlord Licensing Scheme and has been proactive in submitting licencing applications totalling c. £110k to date.

Enfield Let - Ethical Lettings Agency

18. HGL's ethical lettings agency, Enfield Let continues to promote ethical lettings in the Borough, tackling social injustice and ensuring residents are not discriminated against because of their financial status.
19. Enfield Let leases properties from private landlords in the Borough, offering long leases of 3 – 5 years. Landlords are offered guaranteed rent, paid monthly in advance and a full management service.
20. The Council has sole nomination rights to Enfield Let properties and nominates clients at risk of homelessness. Enfield Let rents are set as a percentage of market rent, in line with Local Housing Allowance.
21. Enfield Let has grown a portfolio of 248 leased properties since October 2020, providing quality homes in the private rented sector for families who would otherwise be placed in temporary accommodation. This housing solution provides the Council with a viable private rented offer for families on low incomes and also avoids the costs associated with housing residents in temporary accommodation.
22. Enfield Let has been asked to collaborate with the Council to manage some or all of the Council's temporary accommodation stock, delivering significant savings to the Council. This workstream will be the primary focus for Enfield Let in 2023/24

Rough Sleeper Accommodation

23. HGL, in collaboration with the Council, was successful in securing a £6.7m capital grant from the GLA to support the Rough Sleeping Accommodation Programme (RSAP). The largest allocation in the UK. In order to maximise the grant allocation HGL committed its own capital up to the usual yield level supplementing any shortfall via the GLA capital grant. LBE was not able to deliver the scheme alone, as the capital funds to match the grant were not available.
24. The grant funding facilitated the purchase of 77 bed spaces (61 properties), by purchasing a mix of studios, 1 bed and 2 bed accommodation. All properties have been purchased, meeting the 31st March 23 deadline.

25. The 61 properties purchased have already served to house 90 tenants who were previously sleeping rough and the properties will remain available to house ex-rough sleepers for 30 years.
26. The ex-rough sleepers are fully supported in the accommodation by services provided by the Council.

Integrated Learning Disabilities Accommodation

27. Housing Gateway strives to find innovative housing solutions which not only deliver financially but provide better life outcomes for the residents of Enfield. A good example of this can be seen through a collaboration with the Integrated Learning Disabilities Service (ILDS) to source accommodation for residents with disabilities and complex needs. In all of the cases identified the private sector has been unable to provide the service user with suitable accommodation.
28. HGL has been able to purchase 5 properties that can be tailored to meet individual requirements, providing the Council with a creative solution to a challenging issue. Each property conversion takes on average 1 year, so is resource intensive. However, the result has been that service users and their families have suitable accommodation, in the right area. This improves their wellbeing, enabling them to live independently and reducing the pressure on wider Council budgets.
29. HGL and the Council were shortlisted for an MJ Award for this scheme and progressed to be a finalist in the category of Best Social Housing Initiative.

Care Leaver Accommodation

30. HGL has been collaborating with the Council's Care Leavers Team to design an effective housing solution for care leavers, whilst reducing costs to the Council. HGL are in the process of purchasing two properties which will provide a semi-independent home to care leavers, before they move into their permanent Council home.

Conclusions

31. Housing Gateway continues to address the Council's priorities of providing secure, rented accommodation whilst delivering significant savings of c. £13.2m to date. Housing Gateway continues to ensure sound financial management and is delivering on its commitment to support the Council's housing agenda through innovative business and solutions that LBE would be restricted from delivering itself.

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