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OXFORD CITY COUNCIL

To:	**Cabinet**
Date:	9th July 2025
Report of:	Director of Housing
Title of Report:	National Homelessness Property Fund One

Summary and recommendations	
Decision being taken:	Decision on the future of the Council's investment in NHPF1.
Key decision:	Yes
Cabinet Member:	Councillor Linda Smith, Cabinet Member for Housing and Communities; Councillor Ed Turner, Deputy Leader (Statutory) - Finance and Asset Management
Corporate Priority:	Good, Affordable Homes
Policy Framework:	Housing, Homelessness and Rough Sleeping Strategy 2023-2028

Recommendation(s): That Cabinet resolves to:

1. Approve the principle of Oxford City Council moving its current £10m investment in National Homelessness Property Fund One, into a new “evergreen” property fund, in order to preserve nomination rights to 69 homes in Oxfordshire alleviating homelessness.
2. Delegate to the Director of Housing, in consultation with the Cabinet Member for Housing and Communities, the Deputy Leader (statutory) for Finance and Asset Management, the Director of Law, Governance and Strategy (Monitoring Officer) and Group Finance Director (S151) the authority to enter in to such agreements as necessary to make the reinvestment in to the new “evergreen” property fund subject to reassurance from the fund that all or majority of the homes owned in Oxfordshire are retained through the reinvestment and satisfactory approval of the terms of the investment agreement.

Appendix No.	Appendix Title	Exempt from Publication
Appendix 1	Risk Register	No

Introduction and background

1. The Councils investment of £10m in the National Homelessness Property Fund 1 (NHPF1) is coming to an end, as the fund matures and closes. The Council first invested in the fund in 2015, and through this investment and the investment of others, 69 homes have been purchased in Oxfordshire to offer affordable tenancies to homeless families.
2. As set out in the financial implications, over the investment period the Council has received periodic returns on its investment of £10m and, in addition, benefitted from the nomination rights on the properties held within the fund so as to reduce the need to use BnB and hotel accommodation to address homelessness, which would be more costly than using the nomination rights to the 69 units the investment secures for the Council.
3. This paper considers the options the Council has for its investment and recommends that the Council keeps its investment in the properties, moving it to a new fund to preserve the nomination rights for the properties.

NHPF1

4. Resonance is a social enterprise and fund manager focused on social impact investment. It manages a series of homelessness housing funds across the UK. Since 2013 Resonance has raised investment from different sources, including Councils, the government and private investors.

1. Resonance owned homes allow Local Authorities to discharge their homelessness duty by housing households who are currently living in Temporary Accommodation (TA), or who are at risk of homelessness. This is achieved via an Assured Shorthold tenancy being let to tenants meeting the eligibility criteria.
2. The Council invested £10m into Resonance's National Homelessness Property Fund 1 (NHPF1) (£5m in 2016/17 and £5m in 2018/19) and Resonance matched this investment (through raising capital from other investors) in order to create a portfolio of 69 homes across the Oxford (City and surrounding Districts) area which continue to be used by us to house households in a settled home via our nomination rights secured through our investment, removing them from TA, and therefore reducing TA costs for OCC.
3. All homes are 2+ bed, so support us in our statutory duty to avoid hotel and Bed and Breakfast (BnB) use for 6 weeks or more for households with children.
4. Through NHPF1 approximately £44m has been invested to acquire a total of 229 homes across Bristol, Oxford and Milton Keynes. The fund is due to mature in December 2025 (ie the date at which the fund is currently due to return investment capital to all investors). Resonance has its housing funds valued by an independent valuer every 6 months, and the current value for NHPF1 is c£44m (as of September 2024).
5. NHPF1 is now approaching the current end date, and there are decisions to be taken in order to preserve the financial investment of the Council in this asset, and

to seek to ensure the ongoing value of the nomination rights for the 69 homes is retained. The other LA and private investors are also considering their positions.

5. It should also be noted that the Council is also invested into a separate Resonance Fund (NHPF2), however, given this fund matures at the end of 2035 there is currently no requirement for the Council to make any decisions regarding their capital invested into this fund.

Future of the investment

6. It has long been the aim that over the 10 year investment that Resonance would raise enough capital to create the option for the LA investors to take back their investment and be replaced with others, such as the Local Government Pension Schemes or private investment, while still allowing us nomination rights to the properties. While they have had some success in doing this in some schemes to date, they have informed us that they are not currently able replace the Council funding or that of any of the larger LA investors in NHPF1 with new investments from elsewhere. Therefore, if we were to withdraw our investment the fund would need to sell most or all of the 69 homes in Oxfordshire, which should be sufficient to cover our initial investment, but we would lose nomination rights.
7. Resonance have reassured the Council that they are focused on raising substantial amounts of capital from institutional investors over the next few years in order to give us the option of withdrawing in the future, with retained nomination rights (subject to agreement). However, in the meantime Resonance are proposing to existing investors in NHPF1 to reinvest, or “roll” their existing position into the new fund, providing a number of significant benefits for its investors:

- Improved options for future exits / allocating more capital to the Oxford region
- Receipt of continued investment returns (although not guaranteed at the same level)
- An ongoing positive solution to the TA crisis, by continuing to receive nomination rights to properties
- Avoid the potentially negative consequences of selling properties with high numbers of evictions.

8. Resonance is structuring a new housing fund that will be larger and longer-term than its previous funds, which they aim will be attractive for Local Authorities and institutional investors, allowing significant scaling of this initiative throughout the UK. Resonance currently has a focus on raising capital from LAs and UK Local Government Pension Schemes (LGPS) having already attracted 4 LGPS investors into its previous fund.
9. The new fund will be classed as an “Evergreen/Open Ended” fund and will therefore not have a maturity date. This fund will also have more flexible options for investors to exit, with Resonance expecting this to involve an initial “hold” period of 5 years, followed by options for investors to exit with defined notice periods.
10. Resonance is targeting to launch this new fund by 30th Sept 2025 looking to raise £250m, Resonance would then look to raise capital at a rate of £100-150m per annum thereafter, which could be used for either new investment into additional homes, or exits for some investors (if this was required).

11. Although Resonance has done well in attracting institutional capital into their model (4 LGPS accounts for c£80m of the c£175m projected raise in their latest fund NHPF2) the fundraising landscape is still challenging and volatile. The launch of this new fund is more likely to be successful if it incorporates the existing portfolios established through previous funds, preserving their use for this purpose and providing a significant initial asset base that will help attract further investment into this initiative.

Homelessness – Impact and Risk

12. The Council's investment in NHPF1 makes a considerable ongoing contribution to helping the Council meet its statutory duty to rehouse eligible homeless households with children. While all 69 properties are currently tenanted (or undergoing void work ahead of being relet) we have had good levels of churn in recent years so we continue to discharge homeless duty into them every year. Families placed in the units over the past 10 years are largely moving on positively, moving to new private homes, and good numbers where their homes are located in the Oxfordshire Districts are moving into social housing in those areas (due to these Districts having lower demand on their housing registers).
13. In 23/24 the Council achieved 21 new lets, and in 24/25 achieved 17 lets. If we were to disinvest and lose nomination rights for the units, there would be a knock-on financial impact on BnB / hotel costs as we have to house more families in hotels for longer, and a legal impact as we would be more likely to breach our duty to keep households with children out of BnB.
14. Costs of losing nomination rights can be hard to forecast, but to take the average of the last two years, 19 fewer lets per year could result in an increase in hotel / BnB cost of approximately £400,000 on the council annually, for the foreseeable future until when homelessness demand drops. The Council has experienced rapid increases in demand for homelessness services and temporary accommodation over the last two years, and the fund properties are a significant tool the Council uses to meet this high demand, along with other housing options.
15. If we were to withdraw our investment and the properties were sold, there's a considerable risk that either Resonance as the seller, or the new owner/s would evict the current tenants (in particular because their rents are at LHA, below market rates). Tenants accommodated in the properties have the industry standard tenancy for private housing, assured shorthold tenancies, and can be evicted via a "no fault" section 21, at least until the government changes the law later this year via the Renters Rights Bill. We would likely have to rehouse anyone evicted from these units. Rehousing 69 families would have a significant impact on the authority. Unable to deal with that level of surge in demand we would breach the 6 week BnB rule by significant levels, and the extra cost on hotel accommodation is projected at £1.4m, as a one off.

Options

16. **Option 1 (recommendation) - Rollover into the new fund in September 2025**
The Council rolls the existing investment in NHPF1 (currently valued at c£10m) into the new "Evergreen/Open Ended" fund for an initial 5-year period, which will have the following benefits:

- Improved options for future exits / allocating more capital to the Oxford region - a larger and longer term fund will improve the likelihood of attracting institutional capital to allow (i) a refinancing of the Council's investment, and The Council's eventual exit from the project on a more sustainable basis in due course (if this is what the Council decides in the future, noting that the current intention would be to retain the investment to secure the nominations; any future withdrawal would be subject to a future Cabinet decision) and / or (ii) attracting more capital to acquire more homes with the intention that some of these would be within the Oxford area.
- Receipt of continued investment returns - the Council would be invested for a longer time period on similar terms, which will (i) continue to provide a stable investment income to the Council and (ii) provide an improved position regarding the geographical diversity of the Council's investment (as part of a wider, more diverse fund). We have earned from the investment £280,000 annually in recent years, there is no guarantee this will continue, as its subject to market conditions.
- An ongoing positive solution to the TA Accommodation crisis, by continuing to receive nomination rights to most or all properties – Resonance can continue to provide nominations for the Council into homes to allow The Council to benefit from discharge of duty and to make material savings on TA costs with fewer households in TA. Nomination rights will continue unchanged, unless some of the properties are sold due to other investors withdrawing.
- Significantly mitigate the potentially negative consequences of selling properties in the area - Resonance would not need to sell most or any homes and displace the households they are currently housing to allow for the Council to withdraw its investment (with consequent follow-on implications for re-housing which would not be in the interests of those households or the Council). This will be confirmed ahead of officers making the reinvestment, with the reinvestment subject to us keeping all or the majority of the properties.

  Resonance have confirmed to the Council rolling its current investment in NHPF1 into the new fund would secure a minimum of 2/3 of the current Oxford portfolio for us to nominate into the future, so does not guarantee us retaining all 69 homes due to us not knowing at present on the intentions of other investors. It will increase the likelihood of Resonance being able to raise additional investment to secure sufficient capital to refinance all homes within the current Oxford portfolio.

  The recommendation makes the delegation to officers conditional on a majority (at least 2/3 of the properties currently owned in Oxfordshire) of the units in Oxfordshire being secured by reinvesting into the new fund, so that we secure the ongoing nomination rights to the majority of homes which we benefit from at present. Taking this approach the Council can avoid a situation where it makes its new investment and still loses all or a majority of the properties but recognises that we may want to continue to remain in the fund in the event other investors withdraw.

  If Milton Keynes and Bristol were to withdraw their investments this in itself would not mean we would have to do the same, as the units in those geographical areas could be used to refinance their investment, but officers need the ability to withhold our investment if such moves resulted in a number of the Oxfordshire units being sold.

It would be the intention of officers to revisit the decision through the right governance routes if the prospect of losing a large number of the units is due to occur, and allow for further consideration of our investment if it didn't secure the majority of properties.

It is also the case, if the terms of the investment agreement were not acceptable to the Council, we may have to withhold our investment, and/ or revisit the decision as described above. This is secure by ensuring consultation with the Director of Law, Governance and Strategy in the exercise of the delegation.

17. **Option 2 - Rollover into the new fund plus increased investment in September 2025** - this option could secure the Oxford portfolio in its entirety, due to our increased investment replacing smaller investors pulling their investment out, and with the option of using further capital to acquire additional homes across the Oxford area for the Council to nominate into. This is currently not the recommended option, due to ongoing work the Council is undertaking where we are reviewing different investment options in light of ongoing TA pressure. Once this work is completed, the Council should be in a place of clearly understanding which investment options offer best value for money and deliver the most units, allowing future recommendations to Cabinet and Council to be informed by this work.
18. **Option 3 - Oxford City Council to seek to exit NHPF1 by the current fund end date of December 2025 -** Officers consider this would be a higher risk strategy for the Council in terms of both financial and impact outcomes, since it cannot be guaranteed at this point in time that the new fund will have enough capital at its first close to fully refinance the Council before NHPF1 matures. If the Council does require an exit immediately by the December 2025 fund end date, Resonance as fund manager would likely need to sell homes to facilitate this. In this scenario Resonance have told the Council that they would likely need to initiate that sale process in mid 2025 at the latest. Resonance may be able to explore selling the homes as occupied (which may have negative consequences for valuation, depending on the lease in place at the time) but if that is not possible Resonance may need to sell as vacant possession (which they can do as Assured Shorthold Tenancies using “no fault” section 21, this is obviously a negative outcome for the households, and could potentially lead to some of these households being forced to present to the Council as homeless with associated social and financial costs to the Council). Therefore, this is not the optimum point to sell, and a forced sale of properties at this point could have negative outcomes in terms of impact (for households and Council) and value (for Council)

Financial implications

19. The Council’s investment in the fund is classified as capital expenditure. Some of the capital expenditure was financed from capital resources but some remained as unfinanced. The unfinanced element did not attract a Minimum Revenue Provision charge since the assumption was that the investment was repayable and the unfinanced element would be financed from the returned funds at the end of the investment. Transferring the investment into an evergreen fund would change this assumption; the assumption going forward would be that the investment was in perpetuity (for the purposes of assessing the requirement to make a Minimum Revenue Provision charge to revenue.

20. The unfinanced element of the investment is £1.5 million. The Minimum Revenue Provision charge on this should be based on a 50-year life since the underlying asset is property; this is in line with the Council's agreed Minimum Revenue Provision Policy and with the Government's statutory guidance. This would result in an annual charge to revenue of £30,000. If the Council were to make a Minimum Revenue Provision charge for each of the years the Council has held the investment to date; this would result in an additional one-off charge to revenue of £210,000. The current intention is to alter the Minimum Revenue Provision treatment prospectively in line with the change in the underlying assumptions on the investment (i.e. being held in perpetuity rather than temporarily with repayment on maturity).

21. The Council currently receives a quarterly payment from the fund of between £70,000 and £80,000 (£280,000 annually). The expectation from the follow-on fund is that the payments would be on a par therefore the return from the investment should more than cover the Minimum Revenue Provision charge in the first year even were the Council to make the additional one-off charge to revenue. This assumption is based on current market conditions and could change. As is always the case with investments there is a risk that the payments to the Council will not continue at this level, however the payment levels have been consistently at this level for the last few years, and no known policy or economic factors anticipated that would cause us to expect a sustained and significant reduction in the payments.

22. Additionally, as identified earlier in the report, not continuing with the investment would result in additional temporary accommodation costs which have been estimated at around £400,000, as well as a risk of a £1.4m one-off cost if the properties were sold by the fund, the current tenants evicted and they presented as homeless to the Council.

23. Financial Services assessment of the financial risk is that on balance withdrawing the Council's investment into the fund and properties is riskier, than keeping the investment in place, despite risk of potential declines in the assets value and reductions in the investment payment. This is because of the considerable risk to the Council of escalating homelessness costs and providing temporary accommodation, with a cost to the Council of approximately £1.9m for hotel and BnB in 24/25, which this investment helps mitigate.

Legal issues

24. A copy of the existing or proposed investment agreement has not been provided or reviewed and, prior to any final officer decision under the proposed delegation, both would need to be in order to ensure that an informed decision can be made on entering into / existing the funds.

25. As the tenancies are let on an assured shorthold basis (as opposed to either a secured tenancy or via our homeless powers under the Housing Act 1996) it is possible for the properties to be sold subject to the tenancy agreement, though this would potentially effect the value the fund can achieve. As outlined in the report there remains the ability for a no fault eviction at present also.

26. What seems implicit in the report is that the properties to which we have nomination rights can sold should we remain in the fund but other partners pull out. This would devalue the basis on which the investment is proposed in this paper and therefore

the exercise of the delegated powers would need to be satisfied and demonstrate that the investment still remains prudent and sound at the time they seek to enter into the new fund.

27. In governance terms the budget and prudential borrowing for this investment is already approved and in place and therefore there is no requirement for Council to allocate a budget to invest in the new fund as Cabinet is empowered to make such decisions provided it is within the overall budget envelope as approved by Council at budget setting.

Level of risk

28. Please see Risk Register in appendix 1

29. Considered within the risk register, Resonance are aiming to secure the continued investment of all three main Local Authority investors and replace any smaller investors withdrawing from the fund with new investment. If they do this successfully all 69 units will be retained, but if they raise insufficient new investment to replace any smaller investors leaving the fund, they will have to sell some units across the three Local Authority portfolios funded via match funding outside of our investment, which would impact us in terms of homelessness and ongoing nominations. Resonance themselves are expressing a level of confidence that this scenario can be avoided.

Equalities impact

30. There are no detrimental equality impacts anticipated from the recommended approach in this report. The continued investment in providing homes for homeless households will have significant positive impacts on all households who have protected characteristics that are disproportionality impacted by homelessness, including women, ethnic minorities, those with disabilities, women who are pregnant, LGBTQ+ people, people who have had their gender reassigned, due to homeless households having greater affordable housing options as a result of this continued investment. The option to end the Councils investment, would have detrimental impacts, due the reverse of the positive impacts, with homeless households detrimentally impacted by reduced affordable housing options for them to be accommodated in, which will disproportionally fall on the above mentioned grouse of people with protected characteristics who are more likely to become homeless than the general population.

Carbon and Environmental Considerations

21. No carbon or environmental considerations are anticipated, all the homes are already purchased and renovated, this report is extending this investment.

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