**For General Release**

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| **REPORT TO:** | **CABINET 12 April 2021** |
| **SUBJECT:** | **Real Lettings / Resonance Property Fund Extension** |
| **LEAD OFFICER:** | **Ozay Ali, Interim Director of Homes & Social Investment**<br>**Rachel Soni, Interim Director of Commissioning & Procurement**<br>**Yvonne Murray, Director of Housing** |
| **CABINET MEMBER:** | **Cllr Callton Young, Lead Member for Resources & Financial Governance** |
| **WARDS:** | **All** |

**COUNCIL PRIORITY/POLICY CONTEXT**

The council has a range of statutory duties in relation to homelessness and delivering services through best consideration.

**FINANCIAL IMPACT**

The Real Lettings Property Fund 1 investment is contracted to end in February 2022. This report sets out the option to extend the fund to February 2023 to provide for optimal follow on arrangements given the current market conditions caused by the pandemic and other market factors with the aim of a sale completion date of December 2022. Croydon Council invested £29,389,809 in 2014 for the acquisition of properties by this social impact fund managed by Resonance, a leading impact investment manager and social enterprise, for onward leasing to St Mungo's homelessness charity for temporary letting to homeless households. On exiting the fund, the Council will benefit from a capital receipt, which may be in excess of the original investment which would be used to offset borrowing costs which will support financial recovery. Extending the Real Lettings Property Fund 1 to February 2023 is projected to increase the value of this capital receipt and make it easier to sell the fund on as originally planned to an institutional investor to avoid disruption for existing tenants, and re-housing costs for the Council and provide the Council with additional annual investment income of £1,029k until exit.

The Real Lettings Property Fund is a cost effective solution for housing homeless families compared to the average annual cost of temporary accommodation and additional support is provided to families through the scheme, such as move on and tenancy support at no cost to the council, upon exit this supply will be maintained.

**FORWARD PLAN KEY DECISION REFERENCE NO.:** 1021CAB

The notice of the decision will specify that the decision may not be implemented until after 13.00 hours on the 6th working day following the day on which the decision was taken unless referred to the Scrutiny and Overview Committee.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

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| **1.** | **RECOMMENDATIONS** |
| | The Cabinet is recommended to: |
| 1.1 | agree to a one year extension of the Council's participation in the Real Lettings Property Fund 1 from February 2022 to February 2023 with a planned sale date of December 2022 for the reasons set out in this report and delegate to the Chief Executive acting in consultation with the section 151 officer and the Council's Monitoring Officer the authority to agree all necessary documentation to secure that extension; |
| 1.2 | agree to the variation of the Limited Partnership Agreement to provide for a winding up period of the fund after the end of its legal term of one year, rather than the current three years, with the effect that the latest possible date for return of capital to Croydon is therefore brought forward from the current position of February 2025 to February 2024. |

## 2. EXECUTIVE SUMMARY

2.1 In January 2013, Cabinet approved the Council's participation and investment in the Real Lettings Property Fund 1 (RLPF1) of £29,389,809, to deliver accommodation for homeless families at lower than market rates for temporary accommodation. Full details of the fund, how it operates, its financial model and the benefits it derives to the Council are set out in Appendices 1 and 2 to this report. In addition to RLPF1, Cabinet agreed a further investment of £15m in the Real Lettings Property Fund 2 (RLPF2) in December 2016 to support access to additional properties for temporary housing of homeless families. (https://democracy.croydon.gov.uk/Data/Cabinet/20161212/Agenda/cab20161212_07_01_report788f.pdf?cmte=CAB&meet=53&href=/akscroydon/images/att8309.pdf).

2.2 Both Partnership Agreements for the RLPF1&2 are for a term of 7 +1 +1 years. For RLPF1, the current end date is February 2022. It is proposed to further extend the investment for an additional year to February 2023. For RLPF2, the initial term currently ends in 2024. It is recommended that the current terms in the Limited Partnership Agreement for RLPF1 and RLPF2 be amended to reduce the wind down period after these legal end dates to the term of each fund from three years (as currently provided for in the fund legal documentation) to one year. This would result in the wind down period for RLPF1 ending in February 2024 instead of 2025 and RLPF 2 ending in January 2025 instead of 2027.

2.3 Since entering into the agreement, the RLPF initiative overall has delivered 182 properties for Croydon Council's use, allowing the council to discharge their housing duty for the majority of these families. 289 tenancies in total have been supported to date as voids are offered back to Croydon Council through a nominations agreement with St Mungo's.

2.4 The extension for RLPF1 to 2023 is considered to be the optimal option for both the council and current tenants and supports the position of supporting a follow on fund for the council to retain future access to the properties after receiving its capital investment back. To attempt to exit RLPF1 in February 2022 carries a risk to the return on the original capital investment with a sale of the property portfolio during the pandemic, and other market conditions such as Brexit, and in the current financial climate with the prospect of recession, as well as likely having to try to sell the properties with vacant possession meaning a move of the families would be required. Further analysis on these points is provided below.

2.5 This report sets out proposals to extend the legal end date for RLPF1 to February 2023 (with a maximum 1 year wind up period beyond that to Feb 2024). Failure to agree the extension will mean that Croydon's participation in the RLPF1 investment will end in February 2022 (with a maximum 3 year wind up period to Feb 2025), but likely also bringing to an end the Council's receipt of income (yield) from the investment and incurring the potential eviction and additional costs of rehousing up to 142 households across London. 34 of the current tenancies are in Croydon (27 who have connection), the remainder are within the M25.

2.6 Extending the investment to February 2023 provides a further year to agree and implement the exit strategy between now and the end of the investment period, providing more optimal conditions for a sale. There is a significantly higher likelihood of delivering both financial value and preserving the longer term impact of the initiative on homelessness.

## 3. BACKGROUND

3.1 The Real Lettings Property Fund 1 ("The Fund") is a UK limited partnership which offers investors the opportunity to invest in a diversified portfolio of London residential property which achieves a significant social impact in the area of London homelessness. Croydon Council became an investment partner in 2014, and gained nomination rights to the properties through partnership with St Mungo's as they became available for homeless families.

3.2 Croydon Council has invested £29,389,809 in RLPF1 for properties to be acquired within the M25 to place homeless families through leases to St Mungo's who issue Assured Shorthold Tenancies and allows for the council to discharge its housing duty. Although the fund is pan-London, its portfolio allows for around 80% of nominations from Croydon Council to be in or nearby Croydon over time. Of the 142 properties 135 are currently let to originating Croydon residents. Of the 135 current lettings to Croydon nominees 35 are inside the two year tenancy period and 100 remain in occupation beyond the initial fixed-term contract (as statutory period tenants). 27 of the properties are in Croydon, and 108 are out of borough.

3.3 The Fund is managed by its General Partner, Resonance Real Lettings GP Limited. The Directors of the General Partner are experienced professionals with expertise across social and financial investment and property transactions. The General Partner appointed Resonance Impact Investment Limited ("RIIL") as Fund Manager. RIIL is a subsidiary of Resonance Limited, a company with a nineteen year track record in social impact investment with a specialism in property. Resonance has a mission of connecting capital to charities and social enterprise and is also a social enterprise itself. This property fund model recently won “Good Deal of the Decade” from the Natwest Social Enterprise Awards. Resonance partner with St Mungo’s homelessness charity through lease arrangements who then let the tenancies to residents and provide support and move on assistance.

3.4 The Fund has been structured in order to achieve significant social impact in the area of homelessness. It achieves this by scaling up a proven effective model for transitioning formerly homeless people, or those at risk of homelessness, into successful Private Rented Sector tenancies, with resulting improvements in housing options, progress towards work and connection with communities, and greater resilience against becoming homeless.

3.5 The Fund offers a number of features that a standard investment into residential property would not normally provide, namely:

- minimum 5 year lease agreements,
- a one-point-contact for tenants and a strong covenant
- as such, no void risk and free from operational repair obligations (due to lease structure)
- measurable social impact in addressing homelessness
- lease payments linked to Local Housing Allowance for the relevant properties ensuring tenants have access to affordable housing
- the Fund retains exposure to the capital growth dynamics of the London housing market.

3.6 These factors, combined with the tenancy structure of the Fund, aim to create a more secure and socially beneficial total return profile than would otherwise be achievable in the general market. The Fund has a competitive cost structure in line with similar property funds of this nature.

3.7 With respect to outcomes for tenants, the below table sets out the overall summary of tenancies and positive move on figures for total households referred from Croydon:

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|---|---|
| Current tenanted households | 182 |
| Total tenancies supported to date | 289 |
| Positive move/neutral moves | 66 |
| Notable positive moves | Alternative Private Rented Sector Tenancy: 28<br>Homeowner: 1<br>Local Authority Tenancy: 17<br>Housing Association Tenancy: 3 |

In addition to the numbers listed above, other tenancy ends classed as neutral move ons have still in fact been a positive outcome for the household. i.e. if it has been found that a household has higher support needs, or their circumstances change, the RLPF has worked proactively to support their move to more appropriate housing, whether that be in a new location or type of tenancy.

The support offered by St Mungo’s to prepare and facilitate tenants with move on from the RLPF includes:

- 6 monthly tenancy review meetings
- advice on saving for deposits, accessing a credit union account, help to save accounts, advice on working with letting agents and what is needed to secure private rented sector accommodation, tenancy sustainment advice in order to meet criteria for move on
- annual move on meeting
- referrals to employment services
- referrals to welfare rights advice to maximise income.

3.8 The current investment term is due to come to an end in February 2022. However, based on the analysis undertaken by the Fund (including Figure 1 below) and further to advice from our Finance and Legal teams, this report sets out proposals to agree to extend the partnership for a further year to February 2023 in order to mitigate the identified risks, including those of a property sale within a pandemic and as we potentially enter into a recession, as well as the housing and homelessness costs arising for the Council.

**Figure 1**

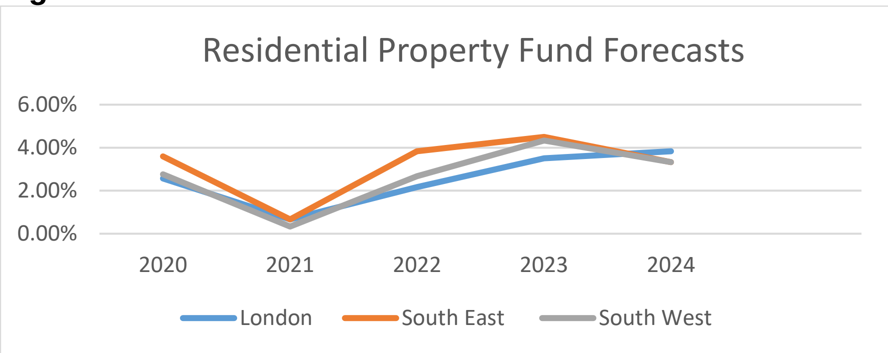


Figure 1 shows the latest average forecasts from the key property market forecasting houses (JLL, Savills, Knight Frank). This data highlights the risks with seeking an accelerated sale of the portfolio in 2021 at a time of significant volatility in the outlook for the market.

3.9 The primary exit strategy for the Fund has always been to create a “follow-on fund” which can acquire the existing housing portfolios at arms length market value from existing investors. This follow-on fund is itself to be primarily invested in by large scale institutional investors such as pension funds who can hold these assets for much longer periods (20 years plus) whilst continuing to make them available, through the follow-on fund, for this type of homelessness move-on accommodation provision. This is the best solution for existing investors, including Croydon, since it gives the best possible likelihood of a return of capital at a good valuation but also the continued availability of the housing stock for this need.

3.10 Significant progress has been made by Resonance in preparing for a follow-on fund. However, in May 2020, Resonance reached the conclusion that the outbreak of the pandemic had now made a deadline of February 2022 for the exit of RLPF1 a much more risky scenario and it was therefore in the interests of investors to extend the life of the RLPF1 to 2023.

3.11 The updated analysis, including that in Figure 1 above, show that the rationale for this decision to extend the fund life to 2023 has increased in the time since it was first proposed. Given the considerable uncertainty caused by the combination of an ongoing pandemic and post Brexit transitions, an exit by February 2022 would likely lead to both a discounted sale of the portfolio and to buyers who require vacant possession with consequent high costs of rehousing families for the Council and adverse consequences for individual vulnerable tenants.

3.12 If the extension to 2023 is agreed, the exit strategy is being developed by the Fund Manager, Resonance, as follows:

- Resonance is continuing to develop plans for a follow-on fund of up to £600m which can acquire portfolios from the RLPF in London, and also similar portfolios built up in Oxford, Bristol and Milton Keynes. The follow-on fund will aim to continue to invest in this type of homelessness move-on accommodation in the future.
- The total size of these portfolios is now over £200m, and the greater scale of this overall portfolio will be key in attracting good, long term institutional investors for this follow-on fund.
- Resonance is in active dialogue with institutional investors looking at developing their strategy for impact investment, and in December 2020 achieved the important precedent of the first Local Government Pension Scheme (LGPS) to invest into one of its homelessness property funds.
- In addition, in December 2020 the Schroder BSC Social Impact Trust plc successfully listed on the London Stock Exchange and has included in its initial portfolio a stake in the RLPF1, which brings further prominence and credibility to this form of impact investment in the institutional market.
- This precedent provides a strong backdrop to Resonance's ongoing discussions with institutional investors around a follow-on fund for the homelessness property funds as a whole and gives good confidence that this can be achieved by December 2022 sale with a fund end date of February 2023 and a wind down end date, being the last date the council could receive its capital receipt of February 2024.

3.13 The key steps underway to deliver this strategy are to put in place long term lease arrangements with charity partners in London (primarily St Mungo's) during the next 6-9 months, followed by the marketing of the follow-on fund in early 2022 which could target completion as early as December 2022 (with an ultimate legal backstop of February 2024). It should be noted that the reason that the strategy can be delivered by December 2022 is that the Real Lettings Property Fund 1 portfolio would be ready for sale into that follow-on fund by that date, with long term leases in place, so it could form the first investment by the follow-on fund at that date even if other portfolios (including those outside London) were sold into the follow-on fund at a later date.

## 4. REGULATORY FRAMEWORK

4.1 The homes are managed by St. Mungo's Housing Association, which is a Registered Provider, subject to full regulatory oversight through the Regulator for Social Housing. The homes are well managed and provide a good quality housing solution to homeless families who have benefited from the scheme.

4.2 The Council does not undertake any management or maintenance services in relation to these homes. This is an investment based housing solution to which the Council has nomination rights.

4.3 The key legal document which governs the running of the fund is the Limited Partnership Agreement (LPA), to which Croydon, like other investors in the fund, is a signatory. The LPA sets a legal end date for the fund, which is currently February 2022 and this report at recommendation 1.1 requests an extension to February 2023. It is important to note that if the legal end date of the fund is reached, and the sale of the property portfolio and distribution of proceeds to investors has not been completed by that date, the LPA allows (in clause 14.4) for **a winding up period of up to a further 3 years** after this date (i.e. until February 2025) during which the portfolio can be sold and proceeds distributed to investors. Recommendation 1.2 requests a variation to this agreement to alter the wind down period from three years to one year (i.e. to February 2024).

4.4 Croydon Council entered into the LPA by completing and signing a Subscription Agreement for the fund at the time of its investments, which includes adhering to the original LPA.

4.5 The extension of the fund can be enacted by special resolution, with 75% of the investors agreeing to the extension. Of which Croydon Council and one other investor make up 75% of investment to RLPF1. The other investor has agreed to the extension period.

## 5. MONITORING AND IMPLEMENTATION

5.1 Should the proposal to extend to February 2023 be agreed, and the exit strategy outlined above be enacted, Resonance will report on further progress with these exit plans through quarterly investor meetings, and more frequently as required to monitor the progress towards a receipt being returned by December 2022. A month on month impact of delay is provided at section 10.3 and will be tracked.

5.2 The Lead Officer responsible for managing the required activity to implement the exit strategy is the Executive Director of Place, subject to approval of the interim S151 Officer on the financial elements of the return of the Council's investment. This will be reported to the Capital Board, and the council's Improvement Board and Lead Members, along with other similar investments.

5.3 The existing nominations agreement between the council and St Mungo's will be re-negotiated to provide for continued access to properties for placing homeless families from Croydon after the return of the capital investment.

5.4 St Mungo's have issued a statement of intent regarding their continued partnership, offer of nominations to Croydon residents and support to tenants in the follow on arrangements:

*"St Mungo's confirms that it is currently in discussions with Resonance over potential future arrangements for use of the Real Lettings Property Fund portfolio beyond the life of the current fund. This includes discussions over the terms of long term leases for some or all of this portfolio. St Mungo's values its ongoing partnership with Croydon Council across various initiatives relating to homelessness and in the event that satisfactory commercial terms can be reached it would be pleased to continue this partnership in the future through appropriate nominations agreements to be agreed in due course, in order to benefit Croydon residents in need of this service."*

## 6. CONSULTATION

6.1 The proposal set out in this report to extend the current investment term to 2023 has been produced in consultation with the council's Executive Leadership team, Strategic Leadership, the Section 151 Officer, and colleagues from across the Council including Legal and Finance. Consultation has also taken place with the Lead Members for Resources & Financial Governance, and Housing & Gateway Services.

## 7. PRE-DECISION SCRUTINY

7.1 Democratic Services have confirmed that this report does not need to go to pre-decision Scrutiny.

## 8. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

8.1 The General Partner to the Fund, Resonance, has provided estimated values for the return on the Fund, analysed and tested by council officers, for exit in December 2022 as an optimal time for the council to exit given current conditions and the requirement to receive a capital receipt to support reducing borrowing costs. There is significant risk in exiting at the current planned end date of February 2022 of a potential 10% downward move in market prices, and a further 10% process discount driven by an accelerated sale process with fixed deadline which, could drive a risk of 20% discount, which would represent an outcome of £27m capital receipt against an initial investment of £29.4m.

8.2 The aim of exiting in December 2022 with an end date for fund of February 2023 could through assessment of conditions potentially obtain a higher capital receipt of around £36m, a return of c£7m subject to market conditions.

8.3 The impact of families approaching the council or other councils for re-housing could be up to £7k per household per annum, for 142 families (as would let the 7 voids pre exit, as currently only 135 tenanted, as stated in 3.2 above) this is £994k per annum as the worst case scenario. It is difficult to know how much of this cost would ultimately be born by Croydon. However, if an exit in Feb 2022 were attempted it is more likely that a significant amount of this cost would arise for Croydon, alongside negative outcome for families concerned. By contrast, an exit in December 2022 would support a higher likelihood of being delivered in a way whereby housing provision can continue and these costs to Croydon be avoided.

8.4 In the past, the received wisdom has been that selling residential property with “vacant possession” (i.e. no tenant in the property) would achieve the highest value for the property, compared to selling residential property with a tenant in place. However, in recent years there has been growing demand from UK institutional investors (e.g. pension funds) to invest into large residential property portfolios where there are long term leases in place with housing providers. This is driven by the pension funds seeking a stable and predictable yield on investments, which has good correlation to inflation in the long term. This has meant that in recent years good precedent has been established for residential property portfolios to be sold at above vacant possession valuations to institutional investors, with 110-150% of vacant possession valuation not being uncommon.

8.5 An example of evidence for this is provided in the most recent financial statements of the Triple Point Social Housing REIT (Real Estate Investment Trust) which has tenanted residential property portfolios under leases to registered housing providers:

“Investors should be aware that the basis of valuation used by JLL (the Company's independent valuer) reflects a higher value for the Portfolio than would otherwise be obtained on a vacant possession valuation basis.”

8.6 This evidences that institutional investors are attributing significant value to residential property portfolios with tenants in place, where it can be shown that the long (e.g. 20 year) leases in place with good counterparties will deliver inflation linked yields over long periods. Whilst the exact valuation will depend on a number of factors, including income levels and lease counterparties, it does show that the sale of a leased portfolio to institutional investors can be an attractive alternative to vacant possession sales.

8.7 Resonance has undertaken initial analysis which shows that even at the income levels of the Real Lettings portfolio (Local Housing Allowance) it is reasonable to assume that a valuation at or around vacant possession levels could be achieved with longer term leases in place.

8.8 **The effect of the decision**

8.8.1 Extending the Fund to February 2023 would result in additional investment income of £1,029k per annum. On exiting the Fund, the returned capital would enable the Council to reduce its revenue borrowing costs and support its financial recovery. A reduction in borrowing costs may be offset by any additional housing costs which may arise from the loss of housing supply, though by granting the extension to February 2023 it becomes much more likely that an exit can be achieved which keeps the housing supply in place even after Croydon receives back its capital.

8.9 **Revenue and Capital consequences of report recommendations**

8.9.1 By exiting in December 2022 there would be minimal impact to net revenue in 22/23, but in 23/24 there would be a saving of £1.8m on minimum revenue provision and interest (based on a prudent assumption of £30m capital receipts), reduced by loss of income from the fund of around £1m per annum and any additional housing costs (which should be minimal in this scenario). This implies a net benefit of exit of £0.8m in 23/24. The net benefit of exiting should then be around £1.1m per annum from 2024/25 onwards (based on the same assumptions as above).

8.10 **Risks**

8.10.1 The General Partner to the Fund, assessed by the council, has indicated that exiting in February 2022 could result in a lower return on capital due to the current economic uncertainty. They indicate that this risk is significantly reduced if the Fund is extended until February 2023 with a planned sale for December 2022 being the optimal point for croydon council given its financial recovery requirements.

8.10.2 There is a risk that the capital returned between December 2022 and February 2023 is lower than currently estimated, but this is a risk that the Council would face with any similar investment. This risk is higher for a February 2022 exit due to requiring a more accelerated sale process in the context of a high political and economic uncertainty in 2021.

8.10.3 Assuming a net benefit of exit of £0.8m in 23/24 implies that delays beyond the target for a sale of December 2022 would reduce this net benefit in 23/24 by around £70k per month.

8.10.4 The sale date would be planned for December 2022, the fund end date would be February 2023 to provide for increased negotiating influence but there is in addition as per recommendation 1.6 a winding down period in the Limited Partnership Agreement a further one year, so any legal redress for the capital receipt could not be enacted until February 2024 should there be any negligent or unforeseen delays.

8.11 **Options**

8.11.1 The Council will benefit from a capital return on investment as a result of the exit from RLPF1. The financial benefit arises due to the cash receipt on exit, as it can be used to replace costs of borrowing and, therefore, reduce the revenue costs associated with borrowing.

8.11.2 The Council could attempt to exit the Fund in February 2022 and receive a financial benefit sooner, but it will lose expected future capital growth and two years worth of investment income at around £1m per annum, as well as incurring the risks outlined in the previous sections above. It may also need to incur additional costs to house tenants where the nomination rights from the RLPF1 are lost by needing to sell the properties with vacant possession.

8.11.3 The Council could extend the fund to February 2024, where the market is expected to recover even further, but the capital receipt would not be achieved at the optimal point to support the council's financial recovery.

8.11.4 Exiting in February 2022 may also result in higher than expected costs to rehouse any existing tenants and to replace the supply of temporary accommodation, due to the shorter lead in time.

8.11.5 The General Partner indicates, assessed by the council, that due to the current economic uncertainty and shorter time for exit, the capital return is significantly more risky if an exit is sought in February 2022 rather than later in the year.

8.12 **Future savings/efficiencies**

As indicated, the recommended exit strategy for the Fund will enable the Council to save on borrowing costs and mitigate re-housing costs, retain the annual yield for a further year and retain access to the properties in future reducing costs by securing housing supply at reasonable placement rates.

Approved by: Chris Buss, Interim S151 Officer and Director of Finance, Investment and Risk

## 9. LEGAL CONSIDERATIONS

9.1 The Interim Director of Law and Governance comments that the provisions of the Limited Partnership Agreement enable variations to its terms to be agreed by way of special resolution. Any such variations must not materially adversely affect the rights and interests of limited partners. Under S1 of the Localism Act 2011 the Council has the power (subject to certain restrictions) to do anything that individuals may generally do.

Approved by: Doutimi Aseh, Director of Law on behalf of the Council Solicitor and Monitoring Officer

## 10. HUMAN RESOURCES IMPACT

10.1 I confirm there are no immediate HR issues arising from the report for Croydon Council employees.

Approved by: Gillian Bevan on behalf of the Director of Human Resources

## 11. EQUALITIES IMPACT

11.1 An Equalities Analysis has not been undertaken for this proposed extension as it is not making any change to the Council's existing processes and practice, and is intended to ensure compliance with government policy and the standards of the Regulator for Social Housing.

Approved by:  Yvonne Okiyo, Equalities Manager

## 12. ENVIRONMENTAL IMPACT

12.1 There are no anticipated impacts as a result of this report.

## 13. CRIME AND DISORDER REDUCTION IMPACT

13.1 There are no anticipated impacts as a result of this report.

## 14. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

14.1 Officers recommend an extension to February 2023 with a planned sale in December 2022 in the best interests of the Council. The reasons for this proposal are:

14.1.1 Seeking to exit the investment in February 2022 would result in additional costs to the Council and a reduced capital receipt given current market conditions and the time left to complete a sale. Disruption to families would occur and the housing service would  likely need to find alternative housing supply for temporary accommodation for some of these families. The average cost to Croydon Council of using temporary accommodation is £7k per year (representing the difference between amounts paid to private landlords, including any rental tops up and claimed back from tenants using their local housing allowance). This compares less favourably to the one-off placement cost of £2.7k per property using the Real Lettings scheme.

14.1.2 There are currently 142 properties relating to RLPF1 under the Real Lettings scheme. Some families would need to find their own move-on arrangements with support from St Mungo's.  A worst case scenario, however, is that every household would need re-housing by the council, which could cost £7k per annum per household, assuming suitable accommodation could be found. The recommended extension to February 2023 provides the best scenario for avoiding these costs to Croydon and negative outcomes for tenants, whilst securing an exit at good value and as early as possible for Croydon.

## 15. OPTIONS CONSIDERED AND REJECTED

15.1 The Council's other options are to attempt to exit the fund at the original end date in February 2022, or extend the fund even further to 2024, but these are recommended to be rejected on the following grounds:

- housing needs – an attempt to exit in February 2022 would incur disruption to up to 142 families or have to find swift move-on with short and unaffordable supply. The extension provides for a follow on fund allowing continued access to the properties for future Croydon nominations post the capital investment return at the cost of a standard one off placement cost.

- Size of capital receipts – an attempt to exit in February 2022 would bring a significant risk that the capital return is affected by the current economic environment and sale process with short term deadline. An extension would enable the Council to mitigate the immediate risks arising from an accelerated sale process during 2021 due to COVID-19 and Brexit, although the future risk of eventual capital receipts differing from current projections cannot be completely avoided.
- An exit in 2024 could give an even further improved capital receipt but Croydon would likely not receive the capital receipt at an optimal point supporting the current financial recovery of the council by reducing current borrowing costs.

## 16. DATA PROTECTION IMPLICATIONS

16.1 **WILL THE SUBJECT OF THE REPORT INVOLVE THE PROCESSING OF 'PERSONAL DATA'?**

**NO**

16.2 **HAS A DATA PROTECTION IMPACT ASSESSMENT (DPIA) BEEN COMPLETED?**

**NO**

A DPIA has not been completed, because the policy proposed does not involve or relate to the processing of any personal data.

Approved by: Rachel Soni, Interim Director of Commissioning and Procurement

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| **CONTACT OFFICER:** | Rachel Soni, Interim Director of Commissioning and Procurement<br>Rachel.soni@croydon.gov.uk<br>Bianca Byrne, Head of Commissioning & Procurement (Corporate)<br>bianca.byrne@croydon.gov.uk |
| **APPENDICES TO THIS REPORT:** | Appendix 1 – Homelessness Property Funds<br>Appendix 2 – 2013 Part B report (*To be attached separately due to being a Part B report)* |
| **BACKGROUND DOCUMENTS:** | None |

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