

MD3518 Appendix 1 – Risk Register

Nature of risk	Risk description	Mitigation (if any)	Impact
Investment risk	<p>As with any investment, the proposal carries risk. Risks associated with a property fund include:</p> <ul style="list-style-type: none"> • changes in market conditions and pricing • changes in supply and demand for land, • taxation • environmental, legal and regulatory risks • risks around portfolio concentration and liquidity (in terms of both properties within the portfolio, and units acquired in the fund) 	<p>Understand the fund’s nature and manager experience.</p> <p>Assess desirability of policy outcomes vs commercial risks.</p> <p>Resonance is an experienced Fund Manager, focusing exclusively on social impact investment funds and with a specialism in property. Resonance currently has over £440 million of funds under management across a number of social investment funds, which the Resonance team has designed, raised and managed. Within its property funds it has one previous institutional property fund (National Homelessness Property Fund 2) and five previous pioneer property funds. These have been used to develop the homelessness property fund model; and to adapt its use for other social needs. GLA has supported three out of five of those pioneer funds.</p> <p>The majority of these risks were common to the GLA’s investment in RLPF2. Despite these, the GLA received a return of approximately £3 million from RLPF2.</p>	Medium
Inflation risk	<p>House price inflation continues to slow, or does not reverse.</p>	<p>According to recent forecasts from both Savills and the Office for National Statistics, residential house prices give some reassurance that London house prices will continue to recover through 2030. Barring a house-price crash, prospects for value recovery are positive; therefore, the GLA should be able to realise capital value via managed disposals within the fund.</p>	Low
Revenue risk impacting yield	<p>The lessee of the fund’s property cannot meet its financial commitments under the leases; and therefore GLAP doesn’t receive the anticipated quarterly cash yield element of the return.</p>	<p>Notting Hill Genesis’s capability to meet its financial commitments under the lease depends on the receipt of rental income from tenants and local authorities. This risk is not a significant one, as data across a number of Resonance funds (including RLPF2) shows that arrears are running at around 9.2 per cent (we do not have specific RLPF2 arrears data). A majority of the tenants are in receipt of housing benefit; this reduces this risk, as housing benefit is paid directly to Notting Hill Genesis.</p>	Medium

Lack of suitable property managers	The risk is that the portfolio is subject to a property manager that is not suitable to manage the assets in line with the investment objectives. (Notting Hill Genesis is currently the lessee for the properties and is well placed to perform this role).	If, for whatever reason, Notting Hill Genesis cannot continue to perform this role, then the RHPF would need to secure an alternative partner to take over the leases. This is to continue with the fund, and provide this element of the return and social impact	Medium
Exit and redemption risk	RHPF is an evergreen fund; it has no prescribed end point. There is a three-year lock-in period for investors transferring from RLPF2. After this, those investors may look to redeem their units in the fund. Subject to the contractual redemption criteria being fulfilled, there is an expectation that redemption would occur within 12 months of the relevant redemption notice. Insofar as the redemption criteria are not met, the fund manager may scale back or defer redemption requests; this could impact the level and timing of GLAP's recovery.	Subject to the operation of the lock-in period, GLAP is expected keep its investment in RHPF under review; and look to exit the fund at an appropriate time.	Medium
Tax	Most of the fund's investors are local authorities, and not subject to taxation. GLAP is a commercial entity and subject to taxation. The receipt of income from the fund generates an income tax liability (as per the current position). The transfer of units from RLPF2 to RHPF could generate a capital gains tax (CGT) liability – albeit capital values are presently well south of the initial acquisition values. GLAP's exit from the fund in around four years could generate a CGT bill.	GLA are securing specific tax advice from external legal advisers.	High
Reputational risk	Any sale of properties within the portfolio that risks tenants losing their home carries with it reputational risk for the GLA.	This risk is reduced in RHPF because the manager has a greater range of options to meet redemption requests than RLPF2. This means the sale of homes is not the only effective option under RHPF as it was under RLPF2.	Medium