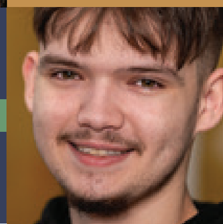
Oaklands
St Kilda's

The future of supported housing – how can we deliver more, faster?

Scaling capital funding



Look Ahead
CARE, SUPPORT AND HOUSING

Wates Family
ENTERPRISE TRUST

Contents

About Look Ahead

Look Ahead provides supported housing and social care services for people who have a range of needs in local communities across London and the South East. Our services include integrated care, support and housing for four main groups: people with mental health needs; people living with learning disabilities and autism; young people and people with experience of care; and people with experience of homelessness and other complex needs.

This work has been made possible through collaboration with the Wates Family Enterprise Trust (WFET). This report is the latest product of the strategic partnership between Look Ahead and WFET to research housing-related models of support for young people experiencing a mental health crisis.

The partnership has progressed from exploring a gap in service provision, to planning, designing and delivering a 12-bed supported housing service. This report, and the accompanying report on the support framework, address how to replicate this approach at scale. The next stage of the partnership will focus on evaluating housing-related models of support to produce a robust evidence base for engaging with local and national decision-makers to promote supported housing and its role in community-based rehabilitation.

01
Executive summary

This report assesses the options available to housing associations and charities to increase their stock of supported housing to meet demand, specifically focusing on supported housing for people with mental health needs. There is no single answer to how to scale capital investment but this report demonstrates there is finance available and several models can work to provide supported housing at scale.

To scale capital investment in supported housing:

Housing associations should:

- explore partnership options with NHS and local authority partners, including using existing public sector estates
- invest time in developing relationships with Homes England and Greater London Authority (GLA) colleagues, as well as social investors, to access available capital.

NHS organisations (Integrated Care Board (ICB) or at a trust level) and local authorities should:

- incorporate housing into strategic planning discussions and explore partnership arrangements with each other and providers
- consider the evidence[1] for how supported housing could yield better outcomes and value for money than existing out of hospital provision (eg when hospitals pay for private beds which can be far from where the person usually lives).

Government departments should:

- increase flexibility within the Rent Standard[2] for supported housing to reflect higher running costs
- maximise the impact of grant funding by removing the 'no public subsidy' clause for specialised supported housing
- recognise the contribution of supported housing to supporting people with complex needs and use every opportunity to integrate housing into health and care planning functions.

[1] National Housing Federation. (2025) *How can housing help the NHS with hospital discharge?* https://www.housing.org.uk/resources/how-can-housing-help-the-nhs-with-hospital-discharge/ (Accessed March 2025).

[2] The Rent Standard is the regulation that governs how much you can charge for supported housing in order for the costs to be met by Housing Benefit.

Supported housing is a credible alternative to institutionalised care for people with mental health needs. It can support people leaving hospital to return to the community, or provide an alternative to hospital admission. The demand for supported housing outstrips supply and, although public and private capital is available to fund buying or refurbishing supported housing, housing associations and charities are increasingly withdrawing from the market.

For the purposes of this report, we will explore the opportunity to scale supported housing for people with mental health needs. This is where there is a need for high support (24/7 support, ideally with two members of staff available at all times) on a medium term basis (one to two years). There are many aspects of funding models set out in this report which would equally apply to other supported housing services. However, there are features of supported housing for people with mental health needs which have a bearing on the capital available:

- **Referrals for supported housing for people with mental health needs will typically be from the NHS as an alternative to admitting someone to hospital. Or, as a 'step down' service after someone has been discharged from hospital to help prepare them to live independently in the community.**
- **Housing benefit would be an option for tenants to claim to support their rent.**
- **Buildings are unlikely to need significant adaptation and so could be repurposed, at little cost, from housing that has been used for people with general needs or could be used for this group of people.**

Supported housing finance is complicated with multiple guidance documents governing: conditions that accompany grant funding from the UK government; classifications of specified accommodation[3]; rents you can charge; and the eligibility of a tenant to claim housing benefit. It is impossible to consider capital financing options in isolation. There is an interplay between rent, service charges (including intensive housing management), and the affordability of capital. The margins available on the revenue income from a service determines the cost of capital that is affordable for any project.

[3] Department for Work and Pensions. (2022) *Housing Benefit guidance for supported housing claims* https://www.gov.uk/government/publications/housing-benefit-guidance-for-supported-housing-claims/housing-benefit-guidance-for-supported-housing-claims#glossary (Accessed April 2025).

There are several options to raise finance, either to purchase new stock, refurbish existing stock to make it fit for purpose or buy land to develop a new building. Many providers will use a combination on any given project. The main options are the following:

1 Debt finance

- **Housing associations, which already own stock or have capital in the bank, will have options to borrow capital from banks or raise additional capital funding by issuing bonds. Organisations with fewer assets will generally face a higher cost of capital (interest rate) and lower limits on the amount they can borrow.**
- **Partner with a for-profit registered provider so that they can raise equity in their business and use it to finance the supported housing.**

2 Capital grant through Homes England, NHS England or the Greater London Authority

Funding is available through the UK government's Affordable Homes Programme or NHS England. The latter is specifically for supported housing for people with a learning disability or autistic people. Charities or housing associations can apply for grant funding to supplement their own capital investment.

3 Private finance

There are numerous organisations that can support providers with private or social investment. This includes Real Estate Investment Trusts, a company which invests in property. The main options available to use private finance are:

- **An investment fund loans money to a housing association or charity to develop, purchase or refurbish property.**
- **Joint venture: the investment fund partners with a housing association or charity to buy land or a property. This is then either leased to the housing provider or there can be part ownership/part lease terms.**
- **Philanthropic investment, where a third party makes a philanthropic decision to invest on behalf of a housing association or charity.**

Any decision to invest in a property is at least, in part, a financial decision about the cost of capital, the level of return anticipated through rental income and the risk an organisation's board is willing to take. Each investment decision will be unique but factors a board needs to consider will include:

- **whether to buy, build or refurbish**
- **whether to own or lease**
- **how to share risk between the landlord, service provider and commissioner of the services for voids (where properties are empty so not earning rental income) or fill rate (how quickly a property is filled), maintenance and duration of the support contract, and**
- **the exit plan in the event a provider loses the support contract.**

In the case of supported housing, these decisions are significantly influenced by the: specific service type; customer group; commissioner; level of demand for the service; location; and cost of securing a 'fit for purpose' building. This report sets out some examples of where housing associations have developed new services, particularly mental health specialised supported housing. These have often been created by forging productive partnerships with funders and commissioners locally to meet an identified need. There is no single answer to the question of how you scale investment in supported housing but this report demonstrates there are several ways that can work.

02
Introduction and scope

For the last 18 months, Look Ahead has been working in partnership with the Wates Family Enterprise Trust (WFET) to research housing-related models of support for young people experiencing a mental health crisis. This research[4] highlighted a significant gap in service provision and the need for a supported housing-related solution. Look Ahead is providing a service to meet this need at its Oaklands and St Kilda's site in West London [see page 12]**.**

Recognising the demand for such services, WFET and Look Ahead are now undertaking work on how to scale this approach. There are two parts of this project to cover the fundamental elements of any supported housing model:

1. **Support model and revenue funding – a model for how the service will be staffed and the type of support that will be provided, plus how this will be paid for by an NHS or local authority commissioner.**
2. **A capital base – either a 'ready to go' building or the finance to develop or purchase one.**

This report focuses on the capital element of this model. It reviews the financial models available to help charitable organisations scale the capital element of supported housing, specifically for supported housing for adults with mental health needs. Some of these models could also be used to finance other services, but there are some notable features of mental health supported housing which have an impact on the financial options that are available:

1. **Economies of scale:** typically services consist of 10-20 units, as opposed to individual units in some learning disability or autism services.
2. **Low-level adaptations required:** some features will need to be adapted (fire safety, a staff office), but supported housing for people with mental health needs has few differences from accommodation for people with general needs. Therefore there are more options available to repurpose housing. This is in contrast to some highly specialised learning disability or autism services designed to suit the long-term needs of a specific individual.
3. **Commissioner:** any supported housing for people with mental health needs is likely to have an NHS commissioner, for some, if not all, of referrals. There is relatively higher confidence in the security of NHS future funding compared with local authority funding which hasn't had the same level of real terms protection in recent years. Supported housing can offer short-term cashable savings compared with private bed or B&B spending by NHS trusts which can make a strong business case to support a commitment to a block contract. On the other hand, support contracts are often renegotiated and there is a risk that a provider doesn't win the support contract in the future.

[4] Look Ahead. (2023) *Away from Hospital and into the Community* https://www.lookahead.org.uk/app/uploads/2023/01/look-ahead-away-from-hospital-and-into-community-report-web.pdf (Accessed April 2025).

Look Ahead’s Oaklands and St Kilda's service

Oaklands and St Kilda’s is a pioneering Look Ahead scheme offering a replicable blueprint for how young people with mental health needs can access specialist support in a homely environment. The service is made up of two six-bed Victorian townhouses that have been extensively renovated. They have been adapted to accommodate and provide a psychologically-informed and supportive environment for young people aged 18-25 from across London who have mental health support needs.

Both houses have generous communal spaces, including a garden with an annexe for social and therapeutic activities, six bedrooms and a staff office. The service is staffed by a specialist team, offering 24/7 support, and young people engage with NHS psychologists and additional mental health support from the voluntary sector.

Oaklands and St Kilda’s was financed through a mixed model, drawing on Look Ahead capital, grant funding from the GLA and philanthropic funding from LandAid; SEGRO; the UK Real Estate Investment Trust; Property Race Day and The Story of Christmas. In total, external partners provided more than £1 million in funding.

The service is available for referrals on a ‘spot purchase basis’. This is when placements are arranged for individuals, as opposed to a block contract for all beds with a single commissioner.

03 Revenue, rents, housing benefit and the impact on capital

There are two main sources of income involved in supported housing: housing-related income through rent and service charges, and income from a support contract.

Supported housing is more expensive to develop and maintain than general needs housing. Depending on the needs of the customer group, there are often higher tenant turnover rates, which can lead to higher void costs. General maintenance costs can also be substantially higher than in general needs housing and the design of the property may need to be specialised and more robust to provide a safe environment for the people who will live there. Housing benefit plays a significant role in financing supported housing by meeting eligible housing-related costs, including rent and a service charge to cover repairs and maintenance.

There is a wealth of guidance available to govern the status of supported or specialist supported housing and the rents that can be charged.[5] Any housing provided by a private sector landlord, including supported housing, will be limited to Local Housing Allowance (LHA) rates. This is used by local authorities to calculate how much Housing Benefit someone can receive to help pay their rent in the private rented sector.

[5] Department for Work & Pensions. (2022) *Housing Benefit guidance for supported housing claims* https://www.gov.uk/government/publications/housing-benefit-guidance-for-supported-housing-claims/housing-benefit-guidance-for-supported-housing-claims#glossary (Accessed April 2025).

For people renting from a social landlord, Housing Benefit is not restricted to LHA rates. The Rent Standard outlines the rules which registered providers must follow when they set rents for social housing. Supported housing has had special rules in Housing Benefit since 1996, when the 'exempt accommodation' definition was introduced. For a Housing Benefit claim to be treated as an exempt accommodation claim, care, support or supervision has to be provided to the tenants by, or on behalf of, the landlord.

Once a claim is accepted as an exempt accommodation claim, rent increases may be higher than for mainstream accommodation. However, all landlords of supported housing need to be able to demonstrate to council Housing Benefit teams that both rents and service charges are reasonable and justifiable.

The Rent Standard allows for exempt accommodation rents to be up to 10% higher than 'formula rent' levels. This refers to the formula the UK government uses to set rents for social housing which are calculated based on the relative value and size of the property, and relative local income levels. There are calls for the UK government to increase this flexibility to 20% for supported accommodation, given the cost of running these services.

Since the abolition of the ring-fenced grant for the UK government's Supporting People programme funding in 2009[6], there has been a steady decline in the rates of revenue funding available to pay for housing-related support. Many supported housing providers are increasingly reliant on Housing Benefit income to cover rent and service charges and to continue to provide services.

'Intensive housing management' describes the housing management tasks that supported housing providers perform in addition to the duties of a general needs landlord. Intensive housing management can be paid by Housing Benefit but local authority Housing Benefit officers must assure themselves that the payment is not paying for care or support. This payment enables providers to cover some of the extra security, concierge, maintenance or repair costs which arise in supported housing and can help to make the service viable.

[6] Revenue funding provided to local authorities to support people to remain living independently in their own homes.

There is a further classification within rent regulation for registered providers of Specialised Supported Housing. This is for services which offer a high level of support for residents who would otherwise be in a care home and where no public subsidy has been used to fund the building. Rent for Specialised Supported Housing can still be met by Housing Benefit, if the council's Housing Benefit team consider the charges 'reasonable and justifiable'. As will be seen throughout the report, partnership working between the housing provider, commissioner and Housing Benefit team is important in supporting the viability of supported housing schemes. This is because there is often significant reliance on Housing Benefit income.

As will become clear in the next section, using grant funding to finance building supported housing means Specialised Supported Housing rents no longer apply: social rents must be charged. This often extends the pay-back period for any private finance that needs to be raised to supplement grant funding and can make schemes unaffordable. There is no impact on the ability to charge intensive housing management service charges from taking up grant funding.

Care and support revenue funding

The care and support contract will typically be commissioned and paid for by either an NHS body (trust or ICB), a local authority or an integrated commissioning function. This is commissioned either on a block contract or a spot purchase basis. Broadly speaking, a block contract would be at a lower rate but provide certainty of income for the provider, typically for up to three years. Spot purchase rates can be higher but there would be no guarantee of income for the provider, yet ultimate flexibility for the commissioner.

A challenge facing housing providers is that a decision to develop or invest in a new service must often be made without a contract guaranteeing the revenue income from a service. This risk can be mitigated by a strong partnership being forged and maintained between the housing provider and the NHS and local authority commissioners. This could perhaps include a statement of intent from the commissioner or similar, providing confidence to the housing provider board.

It is possible for a housing association or charity to assume responsibility for both housing and support services, or one or the other. But it is a Care Quality Commission (CQC) regulatory requirement that there are separate legal agreements covering care and accommodation.

In the event that a building is leased, three parties can receive income from the provision of supported housing: rent is paid to the landlord, the housing management or service charge accrues to the housing provider and the care and support provider receives the support contract income. Given that repair and maintenance costs are often relatively high in supported housing, most housing providers prefer to run services out of buildings they own. This reduces the amount of income that is paid to another party, and increases control of how the building is set up to run services.

04

Sources of capital finance

The origin of Look Ahead's research into alternative options for young people's mental health crisis care[7] was to explore how housing related models of support could help young people experiencing a mental health crisis. Scaling the model inevitably requires access to buildings to provide the housing aspect of the support model. The decision about how to finance the building will be unique to each service, customer group, location and circumstances of the provider.

[7] Look Ahead. (2023) *Away from Hospital and into the Community* https://www.lookahead.org.uk/app/uploads/2023/01/look-ahead-away-from-hospital-and-into-community-report-web.pdf (Accessed April 2025).

This section sets out the main sources of capital that are available to raise finance to purchase new stock, refurbish existing stock or buy land to develop a new building and the defining properties of each option. Most housing providers will use a combination of finance sources in any given project.

The advantages and disadvantages of each model depends very much on the specific investment being considered. For example, a provider with significant assets will be able to borrow more money at a lower cost than a provider with little existing stock. This, in turn, will determine how reliant they are on securing public grant and private capital investment, or the necessity of a partnership arrangement to provide additional supported housing.

Debt finance

Provided a housing association or charity has some assets or capital in the bank, they could decide to borrow money from a bank or issue bonds.

Both are loans that would need to be repaid with interest (the cost of capital). Some banks, for example Barclays, are particularly active in the world of social and supported housing but organisations should shop around and consider the interest rate and terms of repayment available.

Issuing bonds is another option to raise debt finance with the amount an organisation can raise varying depending on their credit record and existing capital or asset base.

Organisations can sell bonds to the market using an intermediary, such as Retail Charity Bonds, or borrow from an organisation such as The Housing Finance Corporation which issues bonds in order to raise finance to lend to housing associations.

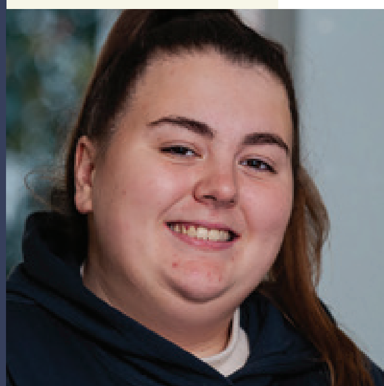
Golden Lane Housing

Golden Lane Housing is a supported housing landlord for autistic people and/or individuals with a learning disability. Golden Lane Housing runs a mixed portfolio owning 1,300 properties, approximately half of their services, and leasing the other half. The purchases have been funded through a mix of loans (Mencap, the Nationwide Building Society, Triodos Bank and the NatWest/Royal Bank of Scotland Bank), bond issues, grants and shared investment.

Golden Lane Housing's first issued bond was in 2003, a £1.8 million Social Investment Bond which was redeemed in 2013. In 2014, Golden Lane Housing accessed the Social Stock Exchange through the Retail Charity Bond platform. The platform has now issued thirteen successful series of bonds through the Retail Charity Bond platform, taking the total issued through the platform to date to over £397 million.

The latest bond issue in July 2021 (due to mature in 2031 at 3.25% interest) was closed early having been oversubscribed after significant interest from institutional and retail investors. £11 million of the bonds have been sold to investors while a further £4 million will be retained and may be sold at a later date. This gives the charity flexibility to raise additional funding as required.

The proceeds of the bond will be used by the charity to further its charitable objectives, including the re-financing of a previous loan from Retail Charity Bonds and the acquisition and/or adaptation of housing for people with one or more learning disabilities.[8]



[8] https://www.glh.org.uk/10736/

Not-for-profit Registered Providers (RPs) are unable to raise equity by selling shares in their own organisation. Some not-for-profit RPs have partnered with for-profit RPs which are able to raise equity to fund capital projects for them. Given the process of setting up as an RP is time consuming and complex, and the governance required to run one (for profit or otherwise) is significant, partnering with an existing for-profit RP may be more feasible than establishing a new for-profit one.

Grosvenor Hart Homes

Grosvenor Hart Homes[9] is the social enterprise arm of Grosvenor, an international organisation which works in urban property, food and agtech, rural estate management and support for philanthropic initiatives.

Grosvenor Hart Homes was registered as a for-profit registered provider, allowing the organisation to raise equity. The organisation uses the equity, alongside other sources of financing, to fund its mission to improve the life chances of vulnerable children, young people, and their families. Its RP status enables it to access grant funding and compete for Section 106 opportunities, as well as deliver support services.

In announcing their status as an RP, the Chief Executive stated that "[the] door is very much open" to working in partnership with other providers.[10]

Public grant

The main source of public grant funding is the Affordable Homes Programme, distributed through Homes England and the Greater London Authority (GLA). Both Homes England and the GLA have comprehensive guidance documents available for organisations interested in accessing a public grant.[11]

There is a general view that this programme has a cap on the level of grant available at about 50% of the total cost of a supported housing project (purchase, development or refurbishment). **This is not in any of the guidance** and both GLA and Homes England colleagues have reiterated the importance of engaging with them in developing bids, and their flexibility when considering the merits of individual applications. Both organisations require evidence of demand for a particular service, engagement with the local authority and a contribution of capital from the housing provider.

Accessing grant funding can demonstrate the robustness of a business case and confidence of public bodies in the housing provider which can open up access to other forms of finance or enable access to better rates.

[9] Grosvenor. *Social enterprise* https://www.grosvenor.com/hart-homes (Accessed March 2025).

[10] *Inside Housing*. (2024). 'Duke of Westminster for-profit becomes registered provider' https://www.insidehousing.co.uk/news/duke-of-westminsters-for-profit-becomes-registered-provider-87012 (Accessed March 2025).

[11] Mayor of London London Assembly. (2024). *Affordable Housing Capital Funding Guide* https://www.london.gov.uk/programmes-strategies/housing-and-land/housing-and-land-funding-guidance-and-resources/affordable-housing-capital-funding-guide (Accessed March 2025).

Gov.UK. (2020). *Apply for affordable funding* https://www.gov.uk/guidance/apply-for-affordable-housing-funding (Accessed March 2025).

Both registered providers and charities can apply for grant funding, though the GLA requires bidders to go through an approval process to become an investment partner as part of the application[12]. Once rented, the landlord of the property must be an RP.

The GLA and Homes England teams will work with bidders to hone bids. Bidders should be drawing on this support to develop robust applications and not make assumptions about the level of grant funding that is available. The major consideration in using a public grant for specialised supported housing is that rents must be charged at social or affordable levels. The level of grant therefore needs to be sufficient as to make the service financially viable on the basis of social or affordable rents.

In reality, this policy significantly limits the financial viability of specialist supporting housing development as the sector faces significantly higher build and maintenance costs than general needs social housing because of the customer groups it serves. Removing the 'no public subsidy' clause for specialised supported housing, which would allow grant-funded services to charge higher than social rents, would increase the viability and supply of specialist supported housing.

[12] Mayor of London London Assembly. (2019). *Investment Partner Qualification* https://www.london.gov.uk/programmes-strategies/housing-and-land/housing-and-land-publications/investment-partner-qualification (Accessed March 2025).

[13] NHS England. (2024). *Building the right home: NHS housing capital guidance* https://www.england.nhs.uk/long-read/building-the-right-home-nhs-housing-capital-guidance/ (Accessed March 2025).

Grant funding is made on the basis of a specific business case. If the property subsequently changes use, the housing provider can either apply for a change of use for the grant (for example to repurpose the setting as general needs) or they can recycle the public grant into new capital projects. Otherwise, the public grant investment would need to be repaid.

NHS England also has a capital programme, Building the Right Home[13], to provide housing for autistic people or individuals with learning disabilities. This is open to RPs and voluntary organisations. In return, (except in the case of a local authority), they must accept a legal charge in favour of NHS England being secured against the property that is purchased or adapted with the grant. As this report focuses on supported accommodation for people with mental health needs, there will be no further discussion of the programme. But note that for supported housing for autistic people or individuals with learning disabilities, Building the Right Home funding can provide grants of up to 100%.

NHS and local authority partnership

Another option to scale supported housing is to use existing public sector buildings, owned by local authorities or the NHS. This option can naturally fall from conversations with commissioning partners where there has been a service need identified within a particular geographic footprint.

There are several options. The NHS or local authority could retain ownership of the building and lease to a housing provider, perhaps on a long lease (over 100 years). In some circumstances the public body may decide to sell the property, in which case there is scope for negotiation on the sale price to be lower than market rate. In return, for example, the building could be nominated for a particular use, such as for housing people with mental health needs.

Exploring options to repurpose public buildings can provide a solution for both parties. There may not be many options for housing stock on sale on the open market. Decommissioned wards, for example, can easily be refurbished to suit step down services. There is also scope to split refurbishment costs, particularly if the NHS or local authority retains ownership. Finally, even where support contracts are subsequently tendered, there are 'most suitable provider' routes for NHS procurement which can reduce the risk of a housing provider investing significantly on the refurbishment only to not win the resulting support contract.

There can be significant constraints imposed on the use of public buildings which may outweigh the benefits of a reduced purchase price. These options should be considered on a case by case basis.

Sussex

Across Sussex, health and care organisations have worked in partnership for several years to agree a Mental Health and Housing Strategy, recognising that high quality housing is a key foundation for stronger mental health.

Partnership working has allowed the health and care system to jointly agree that there is a need to increase the provision of out of hospital services to meet the needs of the community. A key strategic objective of the Sussex Mental Health and Housing Strategy is to create new integrated models of supported housing for people using mental health rehabilitation services.

The Sussex Partnership NHS Foundation Trust is exploring with partners whether repurposing some existing NHS stock could support housing providers to meet this need. This could involve providers leasing or purchasing part of the NHS estate, investing in its refurbishment and then recovering capital costs through rental income.

The NHS team is currently working with provider partners to develop legal and contractual frameworks to support the option to use NHS estates as part of the answer. Housing providers would offer tenancy agreements to NHS patients under the care of the community rehabilitation team, provide intensive housing management and uphold landlord responsibilities, including maintenance and repairs. In return, the trust is looking to assume responsibility for a proportion of the void risk and legal cost should the tenancy need to be terminated. Both the NHS trust and housing provider approve the suitability of the property and patient for the scheme.

This approach shares the risk of supporting an individual with their own tenancy between the NHS and the housing provider. The scheme is expected to bring a number of benefits. Patients benefit from good quality housing and support to maintain their tenancy. The trust should benefit from an increased flow of patients and bed availability because of improvements to the discharge process and people avoiding admission to hospital.

Private finance

Supported housing can be an attractive prospect for investors, with the availability of long lease periods and higher rents paid for by Housing Benefit. There are numerous investment funds available, some specialising in property investment, known as Real Estate Investment Trusts (REIT), others specialising in social impact investments, including supported housing.

REITs must adhere to several rules and, in return, receive a corporate tax exemption for rental income, allowing net rental income to pass through to an investor without being taxed twice. Ordinary company profits are subject to corporation tax at 19%, and then taxed as dividend income when paid to an investor. With the same underlying property investments, a REIT would provide a higher shareholder return than a standard investment trust.

There are many REITs available, some of which seek significant returns on their investment. This can make the cost of capital unaffordable and there is the risk that Housing Benefit officers would refuse to pay a higher rate to cover this cost. There are other REITs, for example SEGRO, which offer competitive rates and this offers a tax efficient way of driving investment in supported housing.

Social investment is the use of repayable finance to achieve a social as well as a financial return. There are a number of useful resources which explain more about social investment, such as the platform Good Finance.

Investment funds vary depending on their size, either offering a menu of fixed products or a bespoke investment service tailored to the specific needs of a particular housing project. The two main categories of investment available are a repayable loan from an investment fund or direct investment in a specific property, either to purchase on behalf of the housing provider, or to part fund. The property is then leased by the housing provider and the investor earns return on their investment through rent payments.

Resonance

Resonance is a social impact property fund manager which launched in 2002 with the mission of connecting capital to social enterprise.

Resonance has created and manages 13 social impact investment funds which focus on tackling major societal issues with particular expertise in homelessness, poverty, community-led projects, health, wellbeing and education. The funds aim to deliver a financial return and targeted social impact to investors.

Resonance works with around 20 housing partners, acquiring and refurbishing properties for them across the UK for people facing housing crises and living in temporary and emergency accommodation. Properties are leased to the fund's housing partners who then let the homes to individuals, helping them manage their tenancies and properties alongside providing specialist support.

Philanthropic funding

Philanthropic funding is when private donors or businesses choose to donate capital funding for a supported housing project without requiring a return on the investment. Philanthropic giving is usually motivated by an interest or passion for a particular cause, for example social or supported housing or the provision of housing for particular customer groups.

There are several organisations that specialise in supporting housing-related causes, for example LandAid (which contributed to the funding of Oaklands and St Kilda's), and the Nationwide Foundation. The Wates Family Enterprise Trust contributed to the capital costs of Oaklands and St Kilda's and provided funding for this research into how to scale the provision of supported housing for young people with mental health needs.

An opportunity exists to convene interested philanthropic funders and create a more systematic approach to philanthropic giving, and to do so at greater scale. Look Ahead will be exploring this as a result of this work.

05
Risk sharing

Risk sharing is key to making any supported housing service viable. The specifics will depend on the scheme but any negotiation between funders, providers and commissioners will need to address the following areas:

1 Timing and cost of capital outlay vs revenue income

The costs of readying a property for a supported housing service fall disproportionately at the beginning of the process, whether a provider is building, buying or refurbishing existing stock. The capital funding must be available and spent at risk, before any income comes in from the service.

This risk can be shared by pursuing a mixed funding model, sharing the cost of the building between different organisations. For example, a housing association could partner with a social investment fund, which is willing to buy a property to meet a provider's specification, thereby taking on some, or all, of the cost of buying the property. In return, the investor would own the asset and the provider would pay a proportion of its revenue income to lease the property.

In the event that a service isn't commissioned, the investor still owns the asset and the provider isn't out of pocket to the same extent had it funded the building alone. Partnering with an investor which specialises in property and development can also reduce the level of expertise required by the provider. For example, the expertise needed for planning, construction and managing a programme, or to enable the provider to benefit from economies of scale.

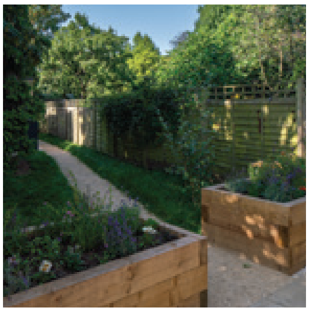
It is also possible to share the risk through an agreement with the commissioner, where some form of commitment is provided for using the service. For example, through nominations (when a property is 'nominated' to a local authority or NHS trust so they promise to fill that property) or a contract for the first few years, after which the service would be re-tendered.

Accessing grant or philanthropic funding on a project reduces the cost to the provider which is another form of sharing risk.

2 Void cost and fill rate

When a new supported housing service becomes available, it can take time to fill the service, depending on the customer group. For example, in mental health services, even when the new service is of a higher quality, it may not be appropriate to uproot people from where they are living. In these instances, the time taken to fill a service depends on the flow of new customers, from hospital or the community. A provider must make an assumption about the time it takes to fill the service to inform the rate it charges and ensure it is viable.

This risk can be shared between the commissioner and provider, either through an agreement regarding nominations and meeting the cost of 'voids', or through a higher fee for the service. A nomination agreement could commit the commissioner to pay for a number of beds, covering the cost of 'voids', when those beds are empty. Or there could be an agreement that the provider pays for voids for the first X number of weeks, after which the commissioner funds them.



3 Revenue: block vs spot

The method of contracting for the support contract determines the proportion of ongoing financial risk held between the provider and commissioner. A block contract provides certainty on the level of income a provider can expect, though usually at a lower rate than would be available if beds were purchased on a spot basis which, conversely, provides flexibility to the commissioner.

A good relationship between the provider and commissioner when they develop a service can lead to a level of trust and confidence which allows some form of commitment from the commissioner before the service is operational. This can help to provide the confidence needed to invest capital at the outset. If the provider is able to provide evidence of the effectiveness of its other services, through data and evaluation, this can help a commissioner make a commitment to the service, either through a contractual agreement or statement of intent.

As one would expect of public bodies, the NHS and local authorities have stringent rules on competitively tendering services. However there are options to use 'most suitable provider' routes. These can support providers who have invested capital in establishing a service to have confidence in their ability to bid competitively for the associated support contract, at least at the first tender.

Elim Housing Association

Elim Housing Association manages just under 1,000 homes in and around the Bristol area. It is the largest national provider of accommodation for people from Gypsy, Roma and Traveller Groups. It also provides housing and support for people with experience of homelessness and specialist accommodation for those seeking to leave hospital.

Elim Housing Association has established strong partnership working with the NHS and local authority. This covers both the local authority commissioning and Housing Benefit teams. All parties share the objective of increasing the available stock of supported housing to meet the needs of the community. As a result of this strong partnership, Elim Housing Association and its partners have developed a standard contract with agreed terms on voids, fill rate and maintenance costs. This helps to minimise the uncertainty (and associated cost) of negotiating the contract for every new service from scratch.

This approach to risk sharing has been the result of partnership working, including using the same solicitors for legal support, and an open book approach to finances. The involvement of the local authority Housing Benefit team has been critical to providing assurance on the rents that can be charged to ensure the financial viability of supported housing schemes. Equally, having engaged the Housing Benefit team from the outset, and establishing an 'open book' approach to finances, there has been transparency to provide assurance to commissioners that the costs are justifiable.

Elim Housing Association also has a commercial subsidiary called Lime Property Ventures, the purpose of which is to develop homes and generate profit for reinvestment in the social objectives of the Elim Housing Group. Partnership working is at the centre of Lime Property Ventures' plan for growth, offering a variety of partnership models. These range from a joint development with shared profits, to Lime Property Ventures taking the risk on the development but building to the specification of a guaranteed buyer.[14]

[14] Lime Property Ventures. *Partnership Working* https://www.elimhousing.co.uk/lime-property-ventures/partnership-working (Accessed March 2025).

06

Conclusion

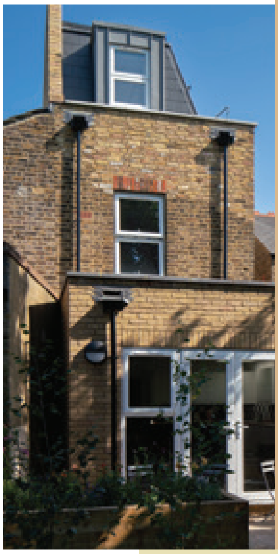
This report is borne out of the work of Look Ahead, with the Wates Family Enterprise Trust, to develop a pioneering model of accommodation-based support for young people with mental health support needs. The Oaklands and St Kilda's service pooled capital from Look Ahead, public grant and philanthropic funding to develop a psychologically-informed environment where young people with mental health needs would be able to feel at home whilst being supported in their recovery.

Recognising the widespread need of this customer group, Look Ahead has continued its partnership with the Wates Family Enterprise Trust to understand what it would take to scale this approach.

In researching this report, it became clear that there is capital funding available to invest in supported housing, ranging from public grant to private capital via social investors. Most housing associations or charities use a combination of financial options to fund their capital development. The most successful do so through strong partnership work with local authority and NHS partners.

This report does not claim to be comprehensive in its review of the capital markets, nor provide an endorsement for any particular organisation that is referenced. There is no 'one-size-fits-all' approach to scaling capital investment in supported housing. When providers successfully grow their supported housing business, they have strong relationships with commissioners and funders. All parties are invested in developing supported housing to support people in their communities, often offering an alternative to institutional care.

The supported housing market is constrained as a result of tight public finances and government policy that does not strongly promote supported housing. The sector is actively engaging with the UK government to inform future policymaking. In the meantime, inclusive local partnerships between the NHS, local authorities and housing providers can make housing central to their approach to supporting people in their care. The scope to care for people in an environment which feels like home, and supporting them in important transitions in their lives, is better not only for the individual, but also for public services as a whole.



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