'Hidden' housing providers

SASC worked with social sector organisations (SSOs) that provide a combination of housing and support. The people they support include some of the most disadvantaged groups in society, such as victims of domestic abuse and ex-offenders.

We believe policy could benefit from a better understanding of these hidden housing providers. In this article we describe briefly what we mean by the term – what makes it "hidden", the role it plays, and why property ownership can help underpin these providers' impact and make them more sustainable.

What makes these housing providers "hidden" is that they mostly fail to show up on two key radar screens. One screen belongs to national policy makers, the other to the mainstream social housing sector. The hidden housing providers fail to register for two main reasons: they are regional, not national, in scale; and many of them are not registered social landlords. We discuss other reasons below.

It is crucial to understand that these hidden housing providers have substantial track records and are well run. While often constituted as charities, these organisations are in reality not-for-profit businesses with deep local roots and vital partners to local authorities struggling with tight funding. Our Social and Sustainable Housing (SASH) funds provide loans that help these organisations grow by buying property in a low-risk way.

Even though housing plays an essential role in the services they deliver, only a minority of these hidden housing cohort SSOs are registered with the Regulator of Social Housing (that is, are registered providers, or RPs). Most of them are set up as both a company limited by guarantee and a registered charity. Typically, they have been operating for between 10 to 30 years and have at least 25 employees. Their annual income is typically over £1 million and comes mostly from contracts (typically, with local government commissioners) rather than grants or donations. The organisations deliver their services through paid employees rather than volunteers.

Such a profile makes these SSOs look more like trading businesses than like most people's idea of a "charity". Because they are constituted as not-for-profit, however, these SSOs have no shareholders in the regular sense. At the same time, not being registered providers means they also have no access to the capital grants Homes England provides to housing associations. These hidden housing providers therefore have no natural source of the long-term risk capital that housing ownership requires.

Several factors help to explain why these hidden housing providers are less visible than they should be. The first one is size. Most registered charities are very small: as of March 2019, four-fifths of all charities had annual income of less than £100,000. A national-scale charity such as Centrepoint has annual income of £47 million (2022-23). But only 4% of all charities (6,665 out of 164,000) generate annual income greater than £1 million. Charities whose size puts them in between these two extremes can be vital long-term partners for local government, but without ever registering on a national-level radar.

Secondly, funding structures also hinder visibility. Local authorities often act as intermediaries between national government funding programmes and local SSOs. The SSOs then become literally invisible to national government, even though that is where their funding ultimately comes from. Once again, the housing association sector offers a sharp contrast: Homes England as a national-level body deals directly with registered providers, rather than going through local government.

A third reason has to do with data. (a) Compared to the number of organisations it oversees, the Regulator of Social Housing (RSH) is relatively well resourced. That means it can generate detailed data about the organisations it oversees. (b) For other parts of the non-profit sector, including charities, registered societies and community interest companies, the difference is stark. Less well-resourced regulators struggle to deal with larger numbers and greater complexity. All of this helps to explain why non-RPs delivering supported housing are so much less visible at a policy level than registered providers are.

One of the key areas where hidden housing providers work is domestic abuse. In 2019 the government appointed the first Domestic Abuse Commissioner for England and Wales. One of the Commissioner's first initiatives was to commission a National Mapping of Domestic Abuse Services. We believe the need for this step shows just how invisible these hidden housing providers remain.

It goes without saying that housing, by definition, is an integral part of "supported housing". The question is, how to access housing? Traditionally, many of these hidden housing providers rented from local councils or large housing associations. In recent years, though, the general housing crisis has made this increasingly hard.

One alternative is short-term rentals from the private sector. While these involve little financial risk, they are sub-optimal for the needs of this kind of organisation. A charity will find it harder to generate the best outcomes for women and children fleeing domestic violence if it has to look for new housing every year. Having to roll over or replace such rental arrangements every year is also financially and operationally costly for relatively small organisations.

Long term conventional leases address the unpredictability of short-term rentals – but only at the cost of higher financial risk. The difficulties of the three largest supported housing REITs, especially Home REIT, have made the risks that come with very long-term leases all too clear. But even shorter-term conventional leases have the potential to create financial problems for SSOs – something that has already taken place.

The best way of ensuring reliable medium-term access to the right kind of housing, in the right location, is ownership. Ownership has an added benefit: it builds new capacity and resilience at hidden housing providers that is permanent. By contrast, any new capacity added through renting (or leasing) is by definition only temporary: it lasts only as long as the term of the rental.

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But the hidden housing providers are legally unable to raise the standard form of risk-absorbing capital – namely, equity. As non-RPs, most of them also lack access to Homes England grants that would make it easier to raise commercial mortgage debt. Lack of access to capital risks forcing these hidden providers into the hands of third-party landlords. Recent events have shown that the resulting lease arrangements are at best less than ideal and at worst create existential financial risk.

At SASC we wanted to address this issue. We worked with a well-established domestic abuse charity to co-design a form of long-term capital funding that meets the needs of both the hidden housing providers and investors. A SASH loan is an investment – that is, the capital is repayable. But the loan reallocates risk and return in a way that mitigates the potentially existential risk from more conventional instruments. It can be thought of as a risk-sharing mortgage.

Supported housing for working-age people represents only a small fraction of the overall housing market. While definitions vary, a few hundred thousand will always look small relative to the general housing crisis. But the individuals involved have high needs; and their numbers are only likely to rise.

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SASC believes there is a community of "hidden housing providers". These local providers, with a local focus, play a key role in supported housing. In the past, some of them may never have considered owning property. SASH makes that possible in a much lower-risk way.

For more information about our low risk SASH funds click here.