

Press release: Lease-based providers of specialised supported housing

The Regulator of Social Housing (RSH) has published an addendum to its October 2018 'Sector risk profile' outlining its views on the sustainability of some registered providers of specialised supported housing who tend to lease most of their property portfolio from property funds and other private investors.

The publication, 'Lease-based providers of specialised supported housing' looks at the recurring factors that have led to a number of providers of this type of accommodation with similar business models being assessed by RSH as non-compliant with its Governance and Financial Viability Standard.

The main five themes are:

- the concentration risk that comes from having long-term, low margin, inflation-linked leases as a single source of finance
- the thin capitalisation of some of the RPs
- poor risk management and contingency planning
- inappropriate governance practises that have led to poor decision making
- a lack of assurance about whether appropriate rents are being charged.

Fiona MacGregor, Chief Executive of RSH, said:

Specialised supported housing should provide accommodation and care for some of the most vulnerable people in society, enabling them to live independently. Recently we have seen rapid expansion in providers of this type of accommodation, enabled by long term, index-linked lease financing at tight margins for the provider. Substantial reliance on this type of financing creates significant risk exposures, and we are concerned that a number of these providers do not have the resources and skills needed to appraise and manage them. We have also identified cases of poor quality service to tenants and failure to maintain properties to required standards.

We intend to work with the boards of these registered providers to establish whether they can develop a long-term business model that demonstrates they can manage these risks, is sustainable and compliant with our regulatory standards. Where an organisation falls into financial difficulty and tenants are at risk, our priority will be to seek to achieve the best outcome for tenants and to protect their interests. We will be unable to guarantee the position of creditors and investors.

[Lease-based providers of specialised supported housing](#) is available on the RSH website.

Additional information

1. [The Sector Risk Profile 2018](#) and [Governance and Financial Viability Standard](#) is available on the [RSH website](#).
2. RSH promotes a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. It does this by undertaking robust economic regulation focusing on governance, financial viability and value for money that maintains lender confidence and protects the taxpayer. It also sets consumer standards and may take action if these standards are breached and there is a significant risk of serious detriment to tenants or potential tenants.
3. For press office contact details, see our Media enquiries page. For general queries, please email enquiries@rsh.gov.uk or call 0300 124 5225.