

Divisions Affected: N/A

CABINET - 22 JUNE 2021

DELIVERY OF SUPPORTED LIVING UNITS THROUGH INVESTMENT IN THE RESONANCE SUPPORTED HOMES FUND

Report by Corporate Director of Adult and Housing Services

RECOMMENDATION

The Cabinet is RECOMMENDED to approve an investment of £5.0m by the County Council in the Resonance Supported Homes Fund for the delivery of supported living accommodation units for adults with learning disabilities and/or autism.

Executive Summary

1. Through the Care Act 2014, the council has a responsibility to meet the care and support needs of adults with learning disabilities and/or autism. To achieve positive outcomes the council generally supports these service users to live independently with their care needs met in their own home.
2. Through the provision of supported living accommodation, the council enables people to live in their own home with care support provided on site. Based on current and anticipated supply, there is a need to access an additional planned pipeline of supported living accommodation in Oxfordshire over the next 2-3 years and to increase the overall supply of suitable properties.
3. Resonance is an experienced social impact investment and property fund manager with a track record of delivering accommodation for vulnerable groups on behalf of local authorities. The Resonance Supported Homes Fund (RSHF) was launched in July 2020 and aims to ensure that people with learning disabilities, autism and mental ill health are treated fairly in society
4. Based on a scoping exercise carried out in late 2020 the expectation is that an investment of £5m, funded through the council's capital programme, will deliver around 25 supported living accommodation units and help meet those unmet service needs.
5. Background to the RSHF and the service needs that would be met are set out in this report.

Supported Living Accommodation Needs

6. Oxfordshire County Council (OCC) has a responsibility to meet the care and support needs of adults with learning disabilities and autism. Many people can live at home with family and others can live independently in general housing. Through the provision of supported living accommodation, the council enables people to live in their own home with care and support provided on site.
7. Oxfordshire County Council's Market Position Statement 2019 sets out the council's strategic approach to Supported Living for Adults with Learning Disabilities. With an overarching aim 'that people with learning disabilities should be supported to live in communities rather than in care homes, holding their own tenancies where possible' the statement sets out that the council will:
 - increase the supply of Supported Living for adults with a learning disability, including developing the capacity and capability within the market to bring a significant number of people back to the county from out of area residential care placements;
 - continue to work with providers to reduce isolated 1, 2 and 3-person accommodation by clustering properties together or creating an increased number of properties with their own front door, whereby services to meet care needs can be shared.
8. Supported living accommodation with care and support is delivered by housing providers and care providers working in partnership. The accommodation is usually sourced by working directly with housing providers or with private investors who will purchase the property. In both cases the accommodation is managed by a housing provider (generally a registered provider) and the council enters into a long-term nomination agreement with the provider, to secure the on-going use of the accommodation for supported living purposes. On-going day to day care to support the resident to live independently is commissioned separately by the council and funded through the council's revenue budget.
9. Maintaining and increasing the supply of suitable housing is also key to the council's commitment to bring some individuals from out of county residential care back into Oxfordshire and to offering accommodation with support to young people transitioning into adult services from Children's Social Care.
10. Demand modelling carried out for the council by the Housing Learning and Improvement Network identifies that even with the anticipated number of units being delivered through existing routes an additional 56 units of accommodation will still be required between 2021 and 2023. Appendix 1 sets out the anticipated demand over the next 3 years.
11. The aim of investing in the RSHF is to increase and accelerate the overall availability of suitable housing stock in Oxfordshire and to increase the certainty over future supply. Alongside that the council will continue to work with private investors and housing providers to meet the overall need set out in Appendix 1.

Resonance Supported Homes Fund

12. The RSHF was launched in July 2020 and aims to ensure that people with learning disabilities, autism and mental ill health are treated fairly in society. As a social investor Resonance is seeking tangible impacts for people that include:
 - ✓ Having 'own home' and a degree of independence
 - ✓ Control of a stable housing situation
 - ✓ An 'ordinary home on an ordinary street' with the same rights and access to opportunities as all citizens
 - ✓ Enhanced opportunities for work where possible and desired
13. At least 90% of the investments made in the RSHF will be used to acquire supported living accommodation for adults with learning disabilities and/or autism. The expectation is that properties will be 'ordinary homes in ordinary streets' i.e. integrated into local communities with good transport and service infrastructure.
14. The fund targeted initial investments of at least £10m in 2020 and is now seeking to increase investor commitments to a target fund size of £50m - £100m. Investments to date total £10.250m and include £5m each from the Greater Manchester Combined Authority and social impact investor Big Society Capital, plus £0.250m from Barrow Cadbury Trust.
15. Appendix 2 provides further information about the fund structure and governance arrangements and explains what the council's role and responsibilities as an investor would be.

Additional Supply of Supported Living Accommodation through the RSHF

16. In Autumn 2020, RSHF carried out an assessment of properties available in the Oxfordshire housing market and estimated that at that time an investment of £5m would enable the purchase and provision of 25 units of accommodation in Oxfordshire.
17. Following agreement to invest the RSHF would work with the council to identify potential tenants and their accommodation needs. RSHF would then oversee the sourcing and purchase of appropriate properties in Oxfordshire and carry out any adaptations or renovations required to meet service user needs. Once that work is complete, they will then enter into a framework agreement with a registered housing provider who will lease the property from the fund and manage it on an on-going basis. The rental for the tenancy paid to the registered provider by the tenant is expected to be funded by Exempt Housing Benefit.

18. Based on feedback from RSHF accommodation units purchased by the fund would generally be expected to be available for occupation anywhere from 6-24 months from the point of investment.

Corporate Policies and Priorities

19. The County Council's vision as set out in the Corporate Plan is 'Thriving Communities for Everyone in Oxfordshire' and specifically to : 'Enable older and disabled people to live independently and care for those in greatest need' and 'Tackle inequality, help people live safe and healthy lives and enable everyone to play an active part in their community'. The delivery of supported living contributes to delivering against these commitments.

Financial Implications

20. Funding for the £5m investment in the RSHF, expected to be met through prudential borrowing, is built into the council's capital programme from 2021/22. There would be a capital receipt when the council divested.
21. While the council's primary aim is to increase the supply of supported living accommodation to meet anticipated unmet needs, the RSHF aims to deliver an investor return of around 6% per annum, over the minimum investment period of 8 years, or around 7.5% per annum over 16 years, the next point that investors could exit the fund.
22. These returns are expected to be achieved through a combination of the property rental income paid to the fund by registered providers through their lease agreements and long run capital appreciation on the properties held in trust by the RSHF. The latter would be realised at the point the council exited the fund. If the value of its investment in the Fund was below £5m at 8 or 16 years or an exit point beyond that, any capital loss up to a maximum of £5m would need to be met by the council.
23. Both the cash yield and capital appreciation will be calculated as a share of the whole fund portfolio and not limited to individual investments or areas. Further information about the assumptions behind the returns is set out in Appendix 3.
24. In the longer term the expectation is that the cost of capital needed to support the investment would be met from the annual returns payable to the council as an investor in the fund. An anticipated shortfall in the first few years would either be managed through reserves or by delaying the need for borrowing by utilising other resources in the capital programme. If neither of those were possible Adult Services would need to meet the capital costs from revenue funding.
25. The expectation is that the council's investment would be wholly drawn down by the end of the initial investment period (July 2024) based on property acquisition across the fund. While any unspent funds would be returned to investors at the end of the investment period if they had not been used to

purchase properties, the likelihood is that the Council's investment will be committed to the fund for at least eight years.

26. The council's External Auditor and Treasury Management advisor have reviewed and advised on the proposal and the accounting treatment. The investment will be treated as a capital loan under regulation 25(1)(b) of the Capital Financing Regulations.

Comments checked by:

Kathy Wilcox, Finance Business Partner, Adult Social Care and Public Health,
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Legal Implications

27. The RSHF is a Collective Investment Scheme and as such is regulated under the Financial Services and Markets Act 2000 (FSMA) and relevant secondary legislation.
28. OCC has the power to make an investment of this type pursuant to s.12 Local Government Act 2003 and s.111 Local Government Act 1972.
29. Legal Services have been fully involved in the discussions with Resonance and have advised on the matters addressed in this report.

Comments checked by:

Christian Smith, Principal Solicitor, christian.smith@oxfordshire.gov.uk
(Legal)

Staff Implications

30. The Lead Commissioner for Live Well will have responsibility for working with Resonance to oversee the sourcing of appropriate properties and for commissioning the care and support for the people accommodated. The Brokerage team, working with Adult Social Care locality teams, will identify and nominate people to the supported living units as they become available. Ongoing support from the Finance Team will be required to support the financial arrangements. This work will be resourced from existing staffing.

Equality & Inclusion Implications

31. An increase in the supply of supported living accommodation will support the council to meet the objectives set out by the Health & Wellbeing Board and enable more disabled people to live independently in accommodation appropriate to their needs.
32. On the basis that it would increase the volume of accommodation available beyond the level available through existing routes participation in the RSHF

would contribute to the ambitions set out in the council's Market Position Statement and deliver much needed supported living units, particularly for young disabled adults with care and support needs.

Sustainability Implications

33. The properties purchased will be assessed for energy efficiency and refurbishment work will be undertaken that maximises energy efficiency to keep fuel costs low.

Risk Management

RSHF Maturity, Investors and Returns

34. The RSHF has a short operating history and at this stage it is unclear what the ultimate fund value will be. Based on RSHF's model neither the annual returns nor capital appreciation appear to be particularly sensitive to the size of the fund over the long run. However, at smaller levels of investment, and with no guarantee the fund would grow beyond the current total, it is possible that the lower level of geographical spread for property purchases and actions by other investors to either to invest or withdraw from the fund could impact more on the overall returns achieved over the long run.
35. Annual returns will also depend on the on-going availability of Exempt Housing Benefit to fund the property rental costs. Since this would be a long-term investment any future change to the arrangements for that could impact on the wider fund and the ability to generate a cash yield.

Provision of Supported Living Accommodation

36. While RSHF's scoping exercise in 2020 indicated that an investment of £5m would enable the provision of 25 units of accommodation the actual number will depend on the Oxfordshire property market during the period of property purchase.
37. Final sign off for each specific property purchase is through the Investment Committee that sits within the fund governance and the council would have no direct influence over that decision. While the needs of the likely tenant(s) are considered when houses are identified the ultimate decision about whether to purchase a property will be based on the anticipated return to the Fund through the rental paid by the registered provider. This is in turn dependent on the rental income paid to them by the tenant which is funded by Exempt Housing Benefit. This is assessed and agreed by the local housing authority based on the rental costs and care plan for the relevant service user(s). If as a result of that assessment it became apparent that the return was not enough, there is a risk that there may be abortive work and a need to source an alternative property which would lead to delays in the availability of accommodation.
38. RSHF will attempt to agree with the registered provider that the council has the nomination rights for each property purchased, both initially and on an on-going basis if the tenant changes. However, the outcome of this process will only be known after the council has made its commitment to invest. As demonstrated

by the demand modelling, there is a high degree of confidence that the demand exists to ensure uptake of all units by people nominated by Adult Social Care, but there is a small risk that the tenancy could be taken up by people who are not Oxfordshire service users. This risk is deemed to be extremely small and the expectation is that all of the units of accommodation purchased in Oxfordshire for Oxfordshire residents will be occupied by Oxfordshire residents only.

Consultations

39. The proposal sets out a proposal for an investment in the RSHF supported homes fund. Any service impacts will be consistent with the council's existing policies and the published Market Position Statement.

STEPHEN CHANDLER

Corporate Director Adult and Housing Services

Annex: Appendix 1 – Demand Data
Appendix 2 – Structure of the Fund
Appendix 3 – Fund Yield

Background papers: Nil

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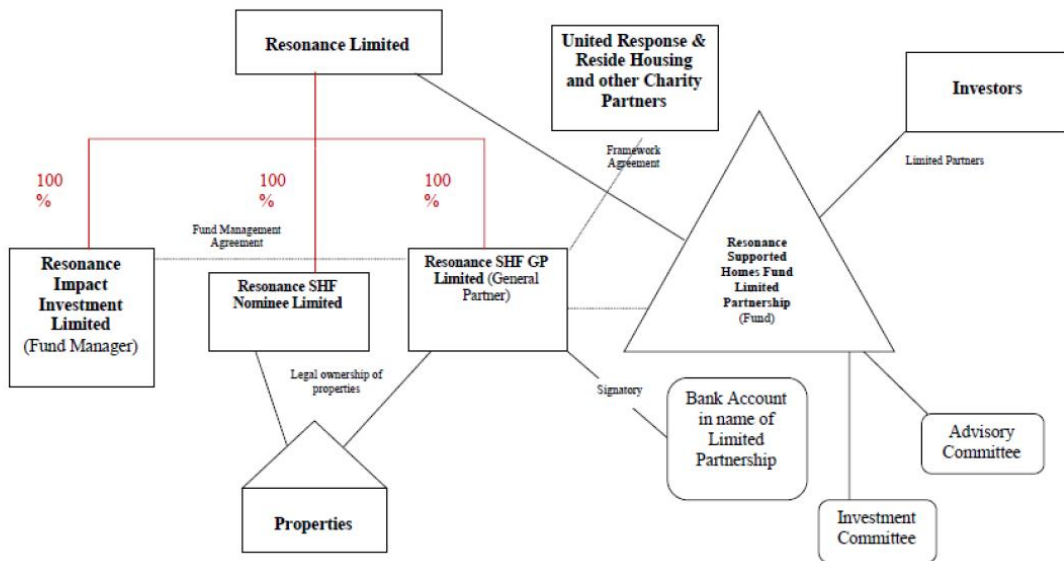
June 2021

40. An overview of demand for specialist accommodation over the next 3 years for people with learning disabilities and/or autism is set out below. The yellow shading indicates predictions taken from the Market Position Statement and the work done by the Housing Learning & Improvement Network to predict demand in Oxfordshire:

		2021- 22	2022- 23	2023- 24
Reprovision of existing stock	- Demand	29	27	12
	- Units identified	21	5	0
	- Units required	8	22	12
Learning Disabilities & Autistic Spectrum Condition	- Demand	27	10	10
	- Units identified	27	0	0
	- Units required	0	10	10
Profound and Multiple Learning Disabilities	- Demand	10	10	10
	- Units identified	10	0	0
	- Units required	0	10	10
Learning Disabilities & Complex Behaviours	- Demand	6	6	6
	- Units identified	0	6	0
	- Units required	6	0	6
Young People Transition	- Demand	0	12	6
	- Units identified	0	12	0
	- Units required	0	0	6

Appendix 2

41. Resonance Limited was established since 2002 and is the holding company for all of Resonance’s activity in UK social impact investment, which include both unregulated activity (e.g., consultancy to social enterprises) and regulated activity (e.g., fund management).
42. Its subsidiary, Resonance Impact Investment Limited (RIIL) is authorised and regulated by the Financial Conduct Authority and has been managing funds since 2013.
43. The RSHF is a ring-fenced property fund, launched by Resonance in July 2020. The Fund will be managed as a long-term ‘evergreen’ structure, i.e. it has no pre-agreed end date, reflecting the long-term tenancies it is seeking to create.
44. The investors in the fund (the Limited Partners) are the indirect owners of the properties in the property fund. These property assets are held on trust for them by the General Partner and a nominee company. The relationships required for the fund’s operation are summarised below:



45. An Investment Committee made up of independent associates with experience in real estate financing, social investment, property valuations and the charity/specialist supported housing will review each property to assess if it is reasonable investment for the fund and likely to deliver the returns promised to investors. It is unlikely that a property acquisition would be agreed unless a rental yield of 6% for the property is assessed to be achievable.
46. The Advisory Committee helps to smooth the operational function of the fund and is responsible for reviewing any actual or potential conflict of interest between the interest of the Fund and the interests of the Fund Manager, the General Partner or any of their Associates or any of their respective officers, agents, delegates, members or employees. It will also review with the Fund

Manager the progress of the Fund generally in achieving its Investment Objective. The Fund Manager will also require the consent of the Advisory Committee to:

- (a) approve any of the following changes to the criteria for property acquisitions:
 - (i) any change to the net initial yield floors for acquisitions of Properties set out in the stock selection criteria section of the Information Memorandum, in light of market or asset specific conditions; and
 - (ii) any proposal to purchase leasehold Properties with an unexpired lease term of less than 75 years,
 - (b) amend or waive any of the following investment restrictions:
 - (i) no one single asset (property block) will have a value at the time it is acquired by the Partnership in excess of 10% of total Commitments;
 - (ii) only up to 20% of Properties may be let on the open market as opposed to being let to those who require specialist supported housing;
47. Based on the current investments the council would be a member of the Advisory Committee unless or until the value of its investment fell below 20% of the total fund.
48. Each investor will enter into a Limited Partnership agreement with the fund with any specific local arrangements set out in a binding side letter. This will specify that the council's investment will wholly be used to obtain supported living accommodation in Oxfordshire.
49. As a limited partner in the limited partnership, the council would have an obligation for the liabilities of the partnership up to the value of its investment of £5.0m.
50. A Limited Partner can request to redeem their interest in the fund once every 8 years from 30 March 2020 on two years' prior notice. The expectation is that on redemption funds would be released through (a) sale to other existing investor(s) in the Fund (b) the Fund-raising debt to provide the cash necessary for redemption or (c) sale of certain properties in the Fund. However, the right to redeem is qualified as the Fund Manager is only required to use reasonable endeavours to arrange repayment. In addition, Limited Partners will also have the right to wind up the Fund every eight years with a two-year notice period (i) if the Fund size is less than £50m it will require a vote of at least 25% of Limited Partners; (ii) if the Fund size is £50m or more, a vote of at least 75% of Limited Partners will be required.
51. Should any material change to the fund be required it would have to be made via a Special Resolution, where 75% of investors would vote for a substantive

amendment to the fund terms and conditions. As an investor OCC would form part of this ballot.

Annual Cash Yield

52. The cash yield is obtained from charging the registered housing provider a 6% return on investment from the core rent. This return is dependent on payments to the fund by registered providers through their lease agreement. In turn those payments are supported by the rent paid to them by the tenant which is expected to be funded by Exempt Housing Benefit.
53. Resonance will take a share of the 6% return to cover their management/running costs (1% per annum whilst the fund is building the portfolio and 0.75% per annum thereafter) plus other fees to cover annual costs of audit and fund valuation as well as a fee to cover the costs associated with each placement. They will retain £0.100m cash for the duration of the fund, but any surplus above that, and after initial set – up costs have been met, would be passed to investors through the cash yield.
54. In the long run, RSHF project that the cash yield across the fund will be an average of 4-5 % per annum paid on a quarterly basis. That assumes the Investment Committee would only agree the purchase of any property where the return on investment to the fund was at least 6%.

Capital Value

55. Capital appreciation or losses will be driven by changes in property values across the whole fund and would not be specific to the property market in Oxfordshire. However, Resonance's expectation is that a buy and hold strategy over a long period of time, plus the diversified spread of the anticipated portfolio, will mitigate the impact of any downturns in the property market.
56. While there is expected to be capital appreciation over the life of the investment (modelled at 3% by RSHF, although that is not guaranteed) there will be a loss in the early period of the fund. This is because there are sunk costs at the beginning of the model (stamp duty, renovation, fees etc.) which mean that the fair value of the investment will initially be around 17% lower than the initial investment of £5m. Because these upfront costs are likely to need to be recovered through capital appreciation over the long term the modelled returns are relatively higher over a period of investment beyond the minimum 8 – year period.