A photograph of an elderly couple in a bright, modern living room. The woman, on the left, is wearing a red top and has her hands on a patterned rug. The man, on the right, is wearing a grey t-shirt and glasses, also with his hands on the rug. They are leaning towards each other, smiling warmly. In the background, a dog is visible near a large window with white curtains. The overall atmosphere is warm and intimate.

Considerations in the Commercial Business Case for the Development of Housing for Mid to Later Life

Private Invite Roundtable

September 2021



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Later Living Market Leader

Darren is a Chartered Surveyor (FRICS) and Chartered Project Manager (APM) with 26 yrs+ in Residential and Regeneration and over 13 years' experience delivering Retirement Housing, Supported Housing and Extra Care for Local Authorities, Registered Providers and Private Operators. Clients include; Audley Mayfield, Inspired Villages Group, The ExtraCare CT, and a number of RPs and Birmingham CC.

Darren is the Lead Partner for Arcadis supporting Birmingham CC to deliver the £350m Perry Barr Regeneration Scheme which pre-covid would have been the Athlete's Village for Birmingham2022 Commonwealth Games.

'Creating compelling business cases for the housing with care sector'

Example of Our Methodology and Approach to Business Cases

The Arcadis approach to business cases and benefits management is aimed at building business cases that are genuinely implementable. Our approach avoids considering a business case as only a means of obtaining funding and ensures that once this funding is obtained, the project delivered aligns to the case originally laid out.

Projects rightly focus on the management of cost, quality and programme. However, our experience is that an equal focus on **benefits and outcomes** will ensure the project achieves its optimum objectives.

Phase 1 – Discovery, Plan & Define

- ✓ Using our experience to identify the business problems and challenges.
- ✓ Review the relevant project documentation and structure the approach.
- ✓ Initial high-level plan for the inputs workstream.
- ✓ Identify Options and Market analysis.
- ✓ Identify gaps and provide planned recommendations.

Phase 2 – Review of ‘Can it Work’

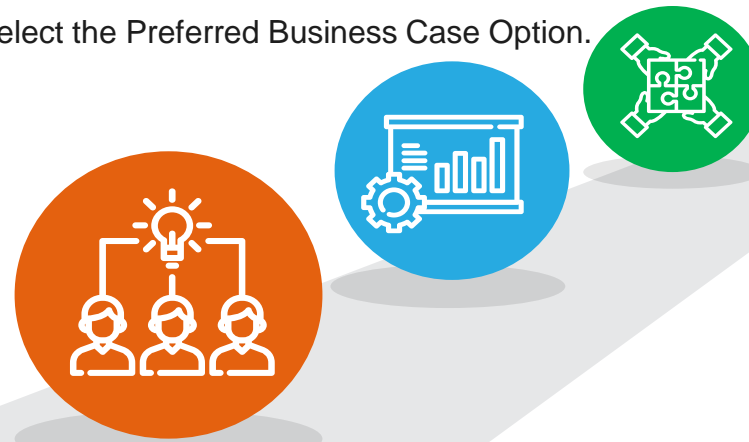
Business Case Options

- ✓ Summarise and present Business Case Options.
- ✓ Cost Review ‘Deeper Dive’ - Detailed review of new Design Guide for Future Retirement / Extra Care Housing schemes.
- ✓ Define the economic arrangements.
- ✓ Identify Target Areas to work in.
- ✓ Select the Preferred Business Case Option.

Phase 3 - Development of ‘Can it Work’ Business Case Options

- ✓ Develop the Strategic Case
- ✓ Develop the Management Case.
- ✓ Develop the Financial Model.
- ✓ Develop the Financial Case.
- ✓ Prepare a compelling Business Case tailored and based on the HM Treasury five-case model to ensure the methodology supports the delivery of this initiative including:

- An Executive Summary:
- Strategic Case:
- Economic Case:
- Commercial Case:
- Financial Case:
- Management Case:



Key Themes Following Recent Feedback Housing with Care Providers

- Need for Quality Market Research = Define a clear Product for the right people in the right location
- Rent collection (& Sales) and void minimisation key like other residential segments e.g., BTR – time for more flexibility with tenures and be more agile to respond to changing market
- Issues revolving still around housing management and care packages. Ideally need to get under single management and work closely with local authorities around nominations to create robust offer
- Business Priority? Several RPs have retracted back and focused more on General Needs Housing which they see as less risky and more profitable
- Others are prioritising Fire Safety and Sustainability ahead of development programmes = increasing potential of lack of supply of new Later Life homes
- Many will count the cost and impact of covid for many many years to come, impacts of last recession still being felt, rent reduction cuts and importance of full consideration of costs-in-use and impact of forthcoming changes to sustainability targets e.g., Future Homes Standards
- Lack of proper appreciation of scale and type of amenities and not replicating what might already exist in location – complimentary amenities and open to public, close to public services

- Many still rely upon a cross subsidy and multi-tenure model as well as HE Grant to top up
- Assumptions made in Appraisals for Operational costs under / overstated – Need for benchmarking across peers in the same way we do Capital – can be the tipping point!
- Development Appraisal tools vary – ProVal – are these too rigid?
- One Housing with Care Provider appraising on 50 years from 1st cash flow
- Targeted areas of unemployment seeking to attract new staff into the sector – so as well as the Customer proposition, and focus on the Asset, Staff proposition needs to be attractive

We need a Fresh Approach

Acquisition – Design/ Planning – Construction – Operational – Repurpose/ Redefine

- Opportunity for creation of Joint Ventures? More than just ‘Partnerships’
- Align the roles of the City Council, GMCA, RPs, Homes England, Developer/ Operators and Investors taking a programmatic approach to increase supply? Long term risk and reward approach and access to lower finance and LAND/ Existing Assets

Discussion





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