

Move On Homes

Internal Business Case

for IWC Cash Capital Match Funding required to Support RSAP Bid

June 2021

Department: Adult Social Care

Contents

INTRODUCTION	1
1. THE CASE FOR CHANGE- Strategic Case	2
2. OPTIONS ANALYSIS – Economic and Financial Case.....	3
3. SOURCES AND ASSUMPTIONS – Financial Case	5
4. FUNDING AND AFFORDABILITY – Financial Case	8
5. DELIVERY ARRANGEMENTS – Management Case	9
6. Benefits Delivery.....	12

INTRODUCTION

The purpose of this Business Case is to seek approval to secure capital available from IWC as match funding to support a bid for 50% additional grant funding to deliver five Move On Homes as part of the Rough Sleeping Accommodation Plan (RSAP) administered by MHCLG. The bid for funding is being prepared by Adult Social Care and will be submitted on the 1st July 2020. The capital required is based on the IWC delivering the units via the preferred option of purchasing and renovating units which will be let to identified tenants, support services will be arranged and undertaken by a service provider. Revenue requirements will be covered by the Adult Social Care department. The terms of the grant funding will require the units to be delivered by the 31st March 2022, this business case sets out the strategy for delivery to those timescales along with identifying key risks and an overview of other options considered.

The identification of the following level of Capital from IWC is required to support this bid submission:

Capital:	£389,868
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Item 7 – Appendix 1 – RSAP Business Case

1. THE CASE FOR CHANGE- Strategic Case

The IOW has made excellent progress towards our ambition to end homelessness reducing rough sleeping by 79% since 2019.

Although we have transformed and modernised our homelessness service offer there remains a small number of individuals that continue to require a bespoke offer in addition to our existing options. Our vision as a local authority is that everyone living on the island has a place to call home, but to meet this ambition we must continue to innovate and enhance our local suite of solutions.

Research shows that homeless people prefer to live in ordinary homes than in other forms of homelessness accommodation such as hostels, with assessments highlighting the positive impacts this has on their wellbeing (Fitzpatrick et al., 2010; Busch-Geertsema, 2010; Dane, 1998) 'Accommodation first' programmes are evidenced to end homelessness for over 80% of people with complex support needs (Crisis, 2018) This model is built on the principle that housing is a human right and when this is supplemented by other single homeless provision, presents a critical opportunity to help end homelessness.

To fulfil the additional housing requirements needed to scale up our housing-led approaches, new and bold measures are required to acquire additional accommodation. The RSAP funding provides a unique opportunity to develop and bring online affordable accommodation which is frequently cited as one of the key challenges up and down the land, with minimal financial risk and contributions required from the local authority.

The IOW has continued to have a mean number of 5 individuals that fall outside of supported accommodation offers for several different reasons. So, the addition of 5 units will help towards achieving a "Functional Zero" which can be described as the situation in a community where homelessness has become a manageable problem.

The proposal aligns with various outcomes as set out in the following strategies:

- Corporate plan
- Homelessness and Rough Sleeping Strategy
- Housing Strategy

References;

Fitzpatrick, S., Bretherton, J., Jones, A., Pleace, N. and Quilgars, D. (2010) The Glasgow Hostel Closure and Re-provisioning Programme: Final Report on the Findings from a Longitudinal Evaluation (York: Centre for Housing Policy).

Dane, K. (1998) Making it Last. Report into Tenancy Outcomes for Rough Sleepers (London: Housing Services Agency)

Busch-Geertsema, V. (2010) The Finnish National Programme to reduce long-term homelessness. Discussion Paper (Bremen, Germany: GISS – Association for Innovative Research and Social Planning).

Item 7 – Appendix 1 – RSAP Business Case

2. OPTIONS ANALYSIS – Economic and Financial Case

Main options

i) No Bid Submission

Pros: No capital requirement or ongoing resourcing required from IWC.

Cons: IWC misses opportunity to benefit from 50% grant funding to deliver accommodation opportunities to meet homeless needs.

ii) IWC submits bid to deliver a purpose-built block of flats

Pros: Units are purpose built and modern with no initial renovation requirements. Management is easier in one block.

Cons: Requires planning permission and development which do not fit the funding timescales for delivery by 31st March 2022.

iii) IWC submits bid to purchase and renovate units to let

Pros: IWC has the choice of private sale flats on the market. IWC receives and retains the capital investment from the grant. IWC would also receive an income / return from leasing the property and relinquish cost implications associated to maintaining property.

Cons: Units may not be located together. Acquisition and renovation need to be managed to funding timescales. IWC will need take strategic decision to become a Registered Provider and HE Investment Partner and provide resource for associated ongoing annual reporting. Resource to manage housing management functions to be identified or enhanced.

iv) A Registered Provider is identified to receive the grant and deliver the units

Pros: A Registered Provider will be familiar with managing affordable housing in accordance with RSH requirements and HE Investment Partner requirements.

Cons: A RP may not be best placed to deliver and manage units for the specific tenants needs. Adult Social Care services would provide more direct oversight. IWC would not receive or retain the capital investment.

1.1 Recommended Option – Economic Case

The recommended option is iii) IWC purchases and renovates units to let with support services undertaken by a service provider. The prospectus and guidance from MHCLG supports self contained units for tenants to have 'their own front door' so the units would be the 1 bedroom flats. The units can

Item 7 – Appendix 1 – RSAP Business Case

be selected from across the Island and would be chosen from within the main towns for connectivity to facilities and amenities.

The IWC would seek to purchase 5 units which it would retain ownership of and become the main landlord. Units cannot be taken from existing social stock and there is not enough time to commission a purpose-built new build scheme (as per option ii.). From discussions with colleagues, the IWC does not currently have any suitable properties which could be invested in or renovated, therefore the IWC will need to purchase private flats at a market rate.

The units would need to be let as a social or affordable level of rent as a requirement of funding. To progress with this option and become the main landlord of properties acquired, the IWC would need to become a Registered Provider in accordance with the Regulator for Social Housing (RSH) requirements as the properties will meet the definition of Social Housing within sections 68 – 71 of the Housing and Regeneration Act 2008.

To submit the bid and draw down grant funding, the IWC will also need to become a Home's England Investment Partner.

The main implications of becoming a Registered Provider and an Investment Partner is that there will be reporting requirements annually and the properties will need to be managed in accordance with RSH requirements. Adult Social Care will provide resource to support this as required.

Cost:

The main Capital costs of the Preferred Option are set out below and are based on 5 units being purchased. The benefit of the Preferred Option over iv) Registered Provider delivers the units, is that the IWC will retain the capital value of the units. MHCLG has confirmed that initial furnishing costs can be requested as part of the funding bid. 50% grant funding is available, which would require an IWC capital input of **£389,868**.

Based on 5 Units:

Capital Expenditure	No.	Per Unit	Total
Unit Purchase	5	125,000	625,000
Renovations	5	8,395	41,975
Furnishings	5	2,250	11,250
Professional Acquisition/ Surveys	5		18,125
Stamp Duty on Acquisitions 2%	0.02		12,500
<i>Sub Total</i>			<i>708,850</i>
Contingency 10%			70,885
Total			779,735

Time:

The timescales of the Preferred Option can deliver within the timescale of the RSAP funding requirements whereas option ii) IWC builds a purpose-built block would not be possible in the timescales required, given the time required for design, planning permission, specification and delivery.

Quality:

Adult Social Care consider that direct delivery by IWC will provide the best quality outcome for proposed tenants who need an extra amount of care and support that a registered provider may not be able to provide if option iv. was progressed.

3. SOURCES AND ASSUMPTIONS – Financial Case

See **Appendix 1.**

CAPITAL

The main capital expenditure required for this project is the acquisition of 5 self contained flats. An assumption of £125,000 per flat is expected as the capital acquisition price for each unit. This is based on sales evidence and is also verified by review of asking prices for flats across the Island. The cost equates to a price per square foot of £250 per square foot for a 1 bed flat of 500sqft which fits with the comparable evidence identified below while also allowing a level of uplift in values.

Sold Prices of Flats:

Address	Beds	sqft	Sold Price (£)	Sold Date	£per sq ft
Apartment 13, Cinnamon Court, Drill Hall Road, PO30 5AA	1	419	105,000	25/09/2020	250.60
Garden Flat, 45 The Strand, PO33 1JE	1	538	110,000	08/01/2021	204.46
Flat 12, Ryde Court, St Thomas Street, PO33 2PB	1	644	133,000	18/12/2020	206.52
Flat 4, Wellwood House, Wellwood Glade, PO33 4HA	1	467	150,000	18/11/2020	321.20

Item 7 – Appendix 1 – RSAP Business Case

Flat 3, Holly House, Ryde Road, PO34 5AD	1	494	155,000	24/09/2020	313.77
Flat 14, Solent Court, Esplanade, PO33 2AL	1	462	115,000	02/07/2020	248.92
Flat 12, Solent Court, Esplanade, PO33 2AL	1	516	145,000	04/06/2020	281.01
60 Amherst Place, PO33 1FF	1	462	105,000	19/05/2020	227.27
Flat 3, Solent Court, Esplanade, PO33 2AL	1	364	105,000	20/03/2020	288.46
99c Marlborough Road, PO33 1AW	1	504	100,000	07/02/2020	198.41
Flat 8, The Beeches, Sandown Road, Lake, PO36 9LB	1	548	90,000	10/02/2020	164.23
Garden Flat, 25 Beckford Road, PO31 7SG	1	484	115,500	17/09/2020	238.64
Flat 7, Shanklin Manor, Manor Road, PO37 6QS	1	548	157,000	21/08/2020	286.50
		Average Sqft	Average Sold Price		Average £psqft
		496	£121,962		248

Asking Prices of Flats, April 2021:

Address	Beds	sqft	Asking Price (£)
Somers Brook Court	1	596	125,000
Foxes Road	1	469	150,000
Old Westminster Lane	1		126,000
Carisbrooke Road	1		125,000
Medina Court, Old Westminster Lane	1	521	125,000
Fairlee Road	1		120,000
Ground Floor Flat, 7 Drill Hall Road	1		115,000
Ronan Court, 27 Mill Street	1		110,000
Castle Street	1		95,650
Haylands	1		125,000
Bellevue Road	1	490	105,000
Broadway	1	382	110,000
Bernard Road	1	600	150,000
Egypt Esplanade	1	489	100,000

Item 7 – Appendix 1 – RSAP Business Case

			Average Asking Price
			£120,118

Additional Costs

Cost estimates for renovations, furnishing, professional fees, survey and stamp duty have been included.

Contingency

10% has been added to capital costs for contingency.

REVENUE

Income

The income from the units will be set at LHA homeless rates which have been fixed since 2011, they are unlikely to reduce and may increase in the future. A 5% reduction on this income has been allowed to account for voids and bad debt per year.

An annual income of around £25,595 per year is expected.

Costs

An indication of Management and Maintenance cost have been assessed with regard to an existing service provision for intensively managed housing by Southern Housing Group for IWC properties.

An additional Support service for the tenants will also be provided via a contracted provider which is indicated to be £21,500 per year. Revenue funding is also available from the RSAP for the support contract (expected up to 50%) and will be included in the Bid as required. Adult Social Care will also reprofile funding from the Homelessness Prevention Grant to cover this.

Other landlord costs have been included such as ground rent, insurance and an allowance for the replacement of white goods and other furnishings per year.

The annual Revenue costs are indicated to be £46,360

Adult Social Care have confirmed that additional revenue costs above those covered by rent and Grant funding for the support contract could be covered by the Adult Social Care Revenue budget.

If all support costs (£21,500) are covered by grant funding, the remaining annual costs (£24,860) could be covered by rental income.

PROCUREMENT ROUTE – Commercial Case

Procurement required for the recommended option would be undertaken with regard to the IWC Contract Standing orders and with close liaison with the Procurement Team.

Item 7 – Appendix 1 – RSAP Business Case

- **Acquisition of properties:** This will require time and process, including surveys, valuations and legal conveyancing to be factored into the programme. Liaison with the Property Team is recommended.
- **Professional Services:**
These services would be required to support the acquisition of properties including legal and surveys if this cannot be undertaken in house. Given the values involved this could be progressed through a 3 quote process or via a framework. Time should be allowed for specifying the services and returning quotes. Draft specification could be prepared before funding agreement is in place.
- **Support Services Contract:**
This is required for managing the tenants and providing the support they need in their new homes. Adult Social Care will manage the procurement of this contract and will need to consider whether the total value meets levels for Service contracts where a full process needs to be undertaken. The specification and draft contracts could be drafted before the award of funding.
- **Property Maintenance and Management:**
IWC currently have an existing contract with SHG for undertaking property management and maintenance. This contract could be extended to provide the management of these units.
- **Renovation Works:**
Depending on the works required which will be more fully understood once the properties have been identified and surveyed, the works could be undertaken via a contractor framework for maintenance or by a separate open tender process. Specification of works cannot be undertaken until a review of the properties has been undertaken and works cannot be instructed until completion has taken place. Contracts could utilise JCT minor works format if required.
- **Furniture and White Goods:**
These products and their installation will need to be specified once the properties have offers accepted and commissioned once the transactions have completed. There is time for a full procurement process or framework selection if appropriate depending on the date of completion. The delivery and installation will need to be managed to coincide with the completion of the renovation works – or could be managed jointly.

4. FUNDING AND AFFORDABILITY – Financial Case

The total Capital project cost will be

Capital: £779,735

Item 7 – Appendix 1 – RSAP Business Case

IWC Capital Requirement:

In terms of Capital, the requirement from IWC to support this project will be **£389,868** (at 50% of total project cost).

IWC Annual Revenue

It is anticipated annual revenue costs would be covered by the rental income (which will be set at Affordable/ Social levels of rent) and the Adult Social Care revenue Budget.

This service will be aligned with the single homeless pathway commissioned services and will adhere to robust scrutiny and contract monitoring as set out for other commissioned services which includes and is not limited to financial management.

Adult Social Care will manage the revenue requirements for the project. An element of the Support Contract revenue costs will be submitted as part of the Bid for Revenue Grant funding.

5. DELIVERY ARRANGEMENTS – Management Case

Delivery of the project in time for completion by the 31st March 2021 will require effective programming and management to ensure the time, cost and quality aspirations are met and that risks are identified and mitigated.

Governance:

The Bid submission, Project and annual reporting requirements for the housing units will be managed by Adult Social Care. A project manager will be identified, and regular internal meetings will be arranged where risks, budget, programme and project quality will be regularly reviewed and updated.

Support and Management:

Support services will be contracted to a Support services provider. The IWC has an existing arrangement with Southern Housing Group for undertaking Housing Management and Maintenance.

Programme:

The following initial programme identifies that the Project can deliver by the required project funding timescales of 31st March 2022 with key milestones highlighted. Opportunities to deliver critical path items earlier than identified will need to be explored by the project team, the first critical item after bid submission will be the funding agreement date.

Task Name	Duration	Start	Finish
Delivery of Move On Homes	238 days?	05/05/2021	01/04/2022
Bid Submission	98 days?	05/05/2021	17/09/2021
Arrange IMS Set up	4.8 wks	20/05/2021	22/06/2021
Internal Business Case Approval and other Approvals	37 days	20/05/2021	24/06/2021
Prep BID Submission	42 days?	05/05/2021	01/07/2021
Submit BID	0 days	01/07/2021	01/07/2021

Item 7 – Appendix 1 – RSAP Business Case

BID Evaluation	2 mons	02/07/2021	26/08/2021
BID Decision	0 days	26/08/2021	26/08/2021
Funding Agreement Prep	3 wks	27/08/2021	16/09/2021
Funding Agreement In Place	1 day?	17/09/2021	17/09/2021
Support Contract	56 days	02/07/2021	17/09/2021
Write Support Specification	3 wks	02/07/2021	22/07/2021
Prepare Support Draft Contract	3 wks	23/07/2021	12/08/2021
Prepare Support ITT Documents	2 wks	23/07/2021	05/08/2021
Publish Tender	21 days	13/08/2021	10/09/2021
Evaluate Tender Returns	1 wk	13/09/2021	17/09/2021
Award Support Contract	0 days	17/09/2021	17/09/2021
Acquisitions	177 days	20/05/2021	21/01/2022
Arrange Acquisition Support	14.4 wks	20/05/2021	27/08/2021
Identify Chain Free Properties and View	3 wks	20/09/2021	08/10/2021
Submit offers and wait for acceptance	4 wks	11/10/2021	05/11/2021
Offers Accepted	0 days	05/11/2021	05/11/2021
Undertake Surveys and Valuations	3 wks	08/11/2021	26/11/2021
Legal Searches	2 mons	29/11/2021	21/01/2022
Completion	0 days	21/01/2022	21/01/2022
Renovations	95 days?	08/11/2021	18/03/2022
Inspect Properties	3 days	08/11/2021	10/11/2021
Schedule of Works Prep	3 wks	11/11/2021	01/12/2021
Tender For Contractor	21 days	02/12/2021	30/12/2021
Evaluate Tenders	1 wk	31/12/2021	06/01/2022
Award Contract	1 day?	07/01/2022	07/01/2022
Contractor Mobilisation	2 wks	10/01/2022	21/01/2022
Contractor Undertakes Renovations	2 mons	24/01/2022	18/03/2022
Completion of Renovation Work	0 days	18/03/2022	18/03/2022
Furniture	105 days	08/11/2021	01/04/2022
Specify Furniture and White Goods	1 wk	08/11/2021	12/11/2021
Procure Furniture and White Goods <i>(sufficient time for full procurement process if needed)</i>	1 day	15/11/2021	15/11/2021
Order Time and Delivery	3 wks	16/11/2021	06/12/2021
Installation of Furniture and Whitegoods	2 wks	21/03/2022	01/04/2022

Item 7 – Appendix 1 – RSAP Business Case

Properties Ready To Let	0 days	01/04/2022	01/04/2022
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Risks:

Key risks to the Project via the Preferred Option mainly relate to strategic decision making and critical path timescales as set out below:

Risk Category	Description	Mitigation	RAG
Funding Agreement	The date of the funding agreement being in place is unknown and is a key critical path item for starting the project. The programme has identified mid September but if this date extends, the whole programme will push out.	IWC will need to take a view on whether some elements can progress before the funding agreement is in place.	
Timescales	Critical path timescales extend, and the project end date goes beyond funding deadline 31 st March 2022.	MHCLG have acknowledged that there is some flexibility on delivery date into the 1 st quarter of 2022.	
Cost	As the current property market is buoyant the IWC will may experience property values increasing.	Review sold prices and factor in a sensitivity/ contingency on prices based on trends.	
Timescales	The timescales for delivery are tight and there are a number of critical path items.	Acquisition should consider chain free properties to give more certainty on acquisition time. Properties with minimal renovation required will require less renovation time. Procurement to be factored into programme at the outset.	

Item 7 – Appendix 1 – RSAP Business Case

Procurement	If procurement timescales are not factored into the programme from the outset then there is a risk of project delay if then subsequently need to be added in.	Keep procurement team appraised and take their input into programming.	
Resourcing/ Governance	Sufficient internal resources need to be identified to manage the project overall and for ongoing monitoring and reporting required otherwise the project will not progress to programme.	Adult Social Care to identify project manager and set up governance for the scheme.	

6. Benefits Delivery

The delivery of the units will allow for 5 rough sleepers on the IOW to be accommodated in Spring/ Summer 2022.

This would bring on line 5 affordable accommodation units. (Housing Strategy)

The units will be held by the IWC as capital assets for the purpose of preventing rough sleeping and will generate an income at the level of social/ affordable rent from first lettings in spring/ summer 2022.

A study in 2008 by the New Economics Foundation 'Work it out: barriers to employment for homeless people' indicated an annual cost to the state of £26,000 for each homeless person. The costs relate specifically to 'job ready' homeless people. Therefore, 5 units would equate to an approximate saving of £130,000 per annum.

Funding will be matched by MHCLG.

Moves the IOW closer to achieving a functional zero homelessness. This appeal because progress towards an end to homelessness is achievable and measurable, without eliminating all homelessness and homelessness risk. (Homelessness and Rough Sleeping Strategy)

MHCLG/ Homes England Support:

MHCLG is providing direct support to the IWC to assist with the submission of the RSAP Bid and Homes England support is available as required to assist with any queries that the IWC may have.

Appendix 1 – Schedule of Costs

Jun-21

Internal Business Case Appraisal

Total Capital Expenditure	779,735
50% Homes England Grant	389,868
50% IWC Match Required	389,868
Number of Units	5

CAPITAL

Capital Expenditure	No.	Per Unit	Total
Unit Purchase	5	125,000	625,000
Renovations	5	8,395	41,975
Furnishings	5	2,250	11,250
Professional Acquisition/ Surveys	5		18,125
Stamp Duty on Acquisitions 2%	0.02		12,500
		<i>Sub Total</i>	<i>708,850</i>

Item 7 – Appendix 1 – RSAP Business Case

Contingency 10%	70,885
Total	779,735

REVENUE

Income						
Annual Rental Return	No. Units	Market Rent Per Unit	LHA Rates	Monthly Rent	Annual LHA Rent	Less % voids and bad debt
Units	5	580	449	2,245	26,940	25,593

Annual Costs			
Revenue Cost - Support/ Maintenance	No. Units	Cost per Unit P.A	Total
Support Contract	5	2,000	21,500
Maintenance and Management (SHG £3,600 per unit +2% inflation)	5	3,672	18,360
<i>Total</i>	<i>5</i>	<i>7,972</i>	<i>39,860</i>

Item 7 – Appendix 1 – RSAP Business Case

Revenue Cost - Other Landlord Costs	No. Units	Cost per Unit P.A	Total
Ground Rent	5	700	3,500
Insurance	5	200	1,000
Replacement White Goods			1,500
Certificates (Gas/ Electrical etc)			500
<i>Total</i>			6,500

Total Revenue Costs to IWC Per Year (Support + other landlord costs)	46,360
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Annual Revenue Return to IWC	25,593
Revenue Income - Total Revenue Costs	-19,420

Sensitivity Analysis on Revenue Return	
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Support Costs 100% Grant Funded

Revenue Income - Maintenance - Other Landlord Costs	733
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Item 7 – Appendix 1 – RSAP Business Case

Support Costs 50% Grant Funded

Revenue Income - 50% Support - Maintenance - Other Landlord Costs	-10,017
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