

## **BUSINESS SUPPORT OVERVIEW AND SCRUTINY COMMITTEE**

**23 SEPTEMBER 2010**

### **SUPPORT FOR PEOPLE IN TEMPORARY ACCOMMODATION**

Report from: Deborah Upton, Assistant Director, Housing and Corporate Services

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#### **Summary**

To consider the feasibility study (phase 2) in line with the recommendations agreed by Cabinet on 23 November 2009 in relation to support for people in temporary accommodation.

#### **1. Budget and Policy Framework**

1.1. Any decision to be made will be within the budget and policy framework and will be for Cabinet to consider.

#### **2. Background**

2.1. On 3 November 2009 the Cabinet agreed the Temporary Accommodation task group findings as set out in section 8 of the Support for People in Temporary Accommodation review document [http://www.medway.gov.uk/final\\_temporary\\_accommodation\\_document.pdf](http://www.medway.gov.uk/final_temporary_accommodation_document.pdf) and to the preparation of an appropriate action plan in response.

2.2. At the last meeting of the Committee an update was given with regards to phase 1 of the feasibility study for an assessment centre (similar to that visited by the task group in Southampton) and the appointment of a consultant to work on this.

2.3. A full feasibility study (phase 2) is set out as an Appendix to this report.

### **3. Analysis**

- 3.1 The feasibility study sets out the advantages and disadvantages of the three recommended options; taking no action, developing an assessment centre, or improved procurement of temporary accommodation.
- 3.2 Members will note from the report that the housing benefit regulations have changed since April 2010, and this has financial implications for any assessment centre, as it would lead to a shortfall in income which would need to be made up.
- 3.3 Improved procurement by use of a framework and potentially joining with other public sector partners who have a need for temporary accommodation, should result in a financial saving and improved service, without the need for additional revenue.

### **4. Risk assessment**

- 4.1 Any risk is contained within each section of the Appendix.

### **5. Financial and legal implications**

- 5.1 There are no financial implications directly arising from this report although if an assessment centre were to be developed then the revenue shortfall would need to be found.
- 5.2 There are no legal implications arising from the recommendations contained in the report. The Council has the power to carry out the recommendations under S2 Local Government Act 2000, and the findings help to meet the strategic aims set out in the Housing Strategy 2008-2011.

### **6 Recommendations**

- 6.1. Members are asked to consider the feasibility study (phase 2), and to recommend that the council undertake a procurement process for temporary accommodation by way of a framework of providers.

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# **Assessment Centre Feasibility Study Phase Two**

## **Options Appraisal**

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## **INTRODUCTION:**

In October 2009 the Council's Business Support Overview & Scrutiny Committee concluded its review of support for people in temporary accommodation (TA).

Amongst the findings, the Committee recommended that the Assistant Director, Housing and Corporate Services, commission a feasibility study into the potential for developing an assessment centre for people requiring TA in Medway.

The feasibility study commenced earlier this year and the first report was sent to this Committee in June. That report suggested three phases for this study:

**Stage 1 - Benchmarking:** to identify the data on which to base the study, including an assessment of current and future demand, some process mapping of the existing service and the current cost to the Council of acquiring privately sourced EA

**Stage 2 - Options Appraisal:** a detailed appraisal of the alternative service delivery options, including the creation of a shared service assessment centre working in partnership with the Salvation Army, using its premises in Chatham.

**Stage 3 - The financial assessment:** of each of the approved short list of those options.

The benchmarking stage of the process was completed and the analysis provided in the last report to this Committee. This report appraises the different options for the provision of emergency accommodation. The evaluation of options is based on financial, service and performance objectives.

## **DEFINITIONS:**

For the purposes of this report the following definitions will be used:

**Client** - Any individual, couple, lone parent or family eligible for Council assistance under the terms of the Housing Act 1996.

**Supplier** - Any public or private landlord who provides housing for Council clients

**EA** - Emergency Accommodation acquired by the Council (often bed and breakfast on a nightly-rated basis) for homeless clients with nowhere else to go. This type of accommodation is used whilst a client's homeless application is being assessed. That assessment can take up to 28 days.

**TA** - All other types of Temporary Accommodation acquired by the Council (usually paid for on a weekly or monthly basis or over even longer periods) to provide a home for clients until they are able to acquire a permanent home.

**SCOPE AND METHODOLOGY:**

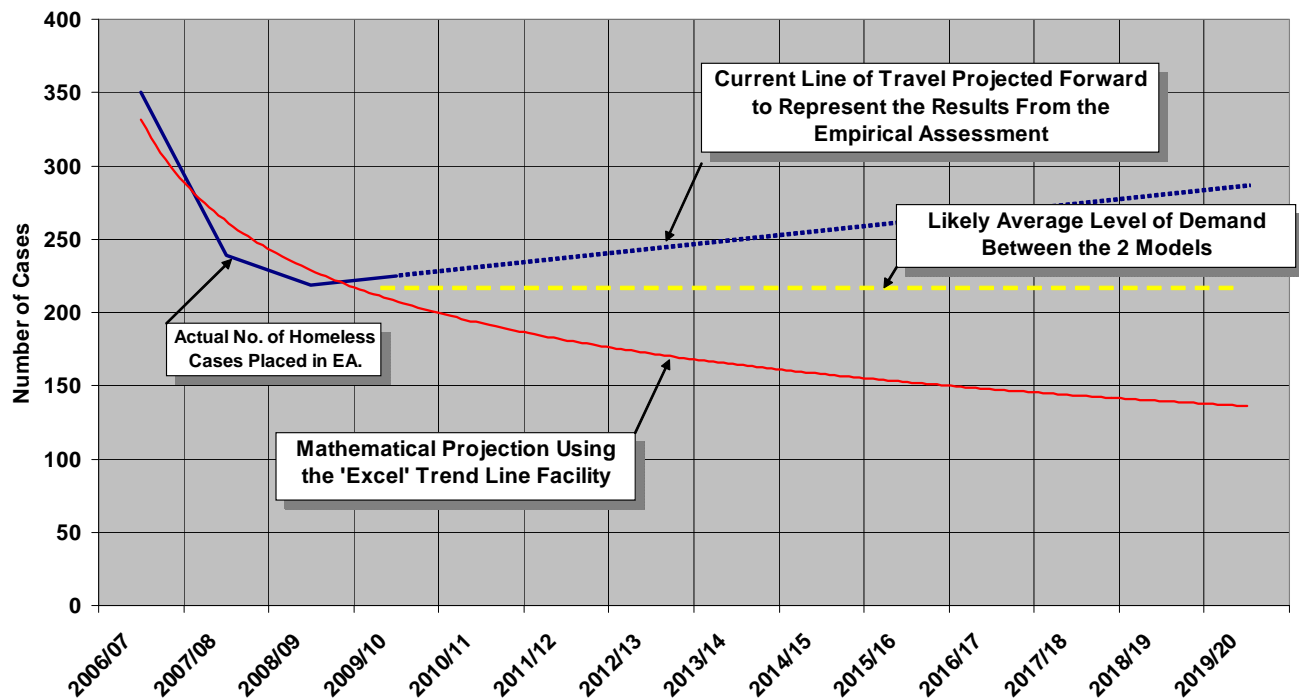
The scope and methodology adopted for this report is based on the model described in the previous report to this Committee. That report also provides a summary of the legislative background, risks and previous local trends.

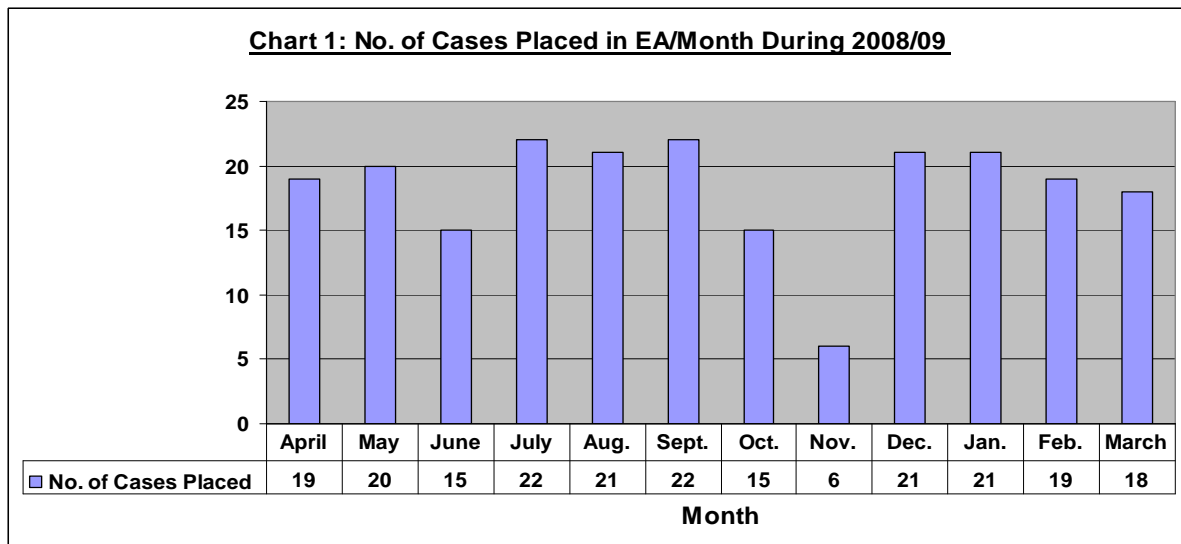
**OPTIONS:**

**Background**

A determination of the available options is predicated on the clear understanding of the need that has to be met. The previous report included an analysis of the likely need for emergency accommodation. The graphs below show a summary of the projected demand trends and the use of emergency accommodation respectively:

**Graph 3: Assessment of Likely Demand Based on the Current Line of Travel, the Mathematical Model & the Empirical Assessment.**





The previous report concluded that a demand for 220 placements a year could be anticipated based on the information available. The report suggested that to meet this need Medway Council requires access to:

- 7 Single rooms
- 9 Double rooms, and
- 2 Family rooms sufficient to accommodate 2 adults and up to 3 children.

This conclusion, whilst not disputed in terms of what types of households need to be accommodated, may be questionable in respect of the type of accommodation suggested.

The regulations governing how much housing benefit rebate the DWP will pay for temporary accommodation changed in April 2010. The change significantly reduced the financial viability of using non-self contained accommodation as emergency accommodation. This point will be described in greater detail later in this report.

It is accepted that there is likely to be a need for an average 18 units of accommodation at any one time. However, that also means that at times there will be more accommodation needed and at other times less.

### **Options and Appraisal Methodology**

The previous paper described the options that might be considered for meeting the need for emergency accommodation as follows:

- Continue to work as we are
- Improvements to the existing service through a range of efficiency measures

- The creation of a single reception & accommodation centre using existing Council assets (*e.g. vacant development land or refurbishment & adaptation of existing property*)
- A Partnership with an external public sector body (*e.g. another LA*)
- A Partnership with an external voluntary or charitable institution (*e.g. Salvation Army*)
- A Partnership with a Private Sector Company (*e.g. Travel Lodge, property company etc.*)
- A contract between the Council and a private service provider.

These options can be further broadened so that those that do not meet the primary objective of reducing savings or address the issue of the price and quality of EA are eliminated immediately. The options might therefore be summarised in the first instance as:

- Continue to work as we are
- The development of an assessment centre
- Procurement from private providers

The factors that will be used to assess each option in the first instance will be an assessment of the costs of each and an evaluation of the service and performance impacts.

## **CONTINUE TO WORK AS WE ARE:**

### **Introduction and Background**

Presently emergency accommodation is secured primarily through the use of bed and breakfast/hotel rooms. The accommodation is purchased on an as and when needed basis i.e. on the day that a client requires it. There are a few local hotels that are used for this purpose because:

- They have experience in working with Medway Council
- They have experience of providing accommodation for clients who have become homeless, and
- They have offered reasonably competitive rates.



When a client is provided with emergency accommodation they are responsible for paying for that provision. The rent payable for temporary accommodation has been based on the amount of housing benefit subsidy that the DWP has permitted local authorities to claim.

Until April 2010 the subsidy that could be claimed was a flat rate determined for each authority by the DWP. In Medway this was approximately £203 per week. That amount could be claimed for any form of emergency or temporary accommodation irrespective of the property size.

Since April 2010 that subsidy rate has changed. The new formula is based on the local LHA level and is based on the size of the accommodation. The amount payable is:

90% of the LHA rent + £60 per week

However, for bed and breakfast accommodation only the LHA for a shared room is paid.

The LHA is reassessed monthly and so to reduce continuous changes and uncertainty the DWP use the LHA rate as at January of that year. Therefore the rates payable for temporary and emergency accommodation presently are as follows:

| Room Size   | £ Weekly LHA Rate – Jan '10 | £ Maximum Weekly HB Subsidy |
|-------------|-----------------------------|-----------------------------|
| Shared Room | 65.00                       | 65.00                       |
| 1 Bedroom   | 114.23                      | 162.81                      |
| 2 Bedrooms  | 137.31                      | 183.58                      |
| 3 Bedrooms  | 150.00                      | 195.00                      |
| 4 Bedrooms  | 225.00                      | 262.50                      |
| 5 Bedrooms  | 253.85                      | 288.47                      |

The amount of potential income from almost all forms of accommodation has been reduced.

### **Financial Evaluation**

Bed and breakfast hotel rooms are treated as shared rooms for the purposes of housing benefit subsidy. Since April 2010 clients who have been placed in bed and breakfast are charged £65.00 per week pro-rata to reflect this new subsidy regime.

The previous report concludes that 6.350 nights of accommodation will need to be booked per year.

**Estimated cost of emergency accommodation for the  
baseline model to be used in the study**

| Category                    | Accommodation Allocated | No. of Cases | Average No. of Days Spent in EA | Unit Cost/Night | Total Cost/ category/year |
|-----------------------------|-------------------------|--------------|---------------------------------|-----------------|---------------------------|
| Single Person               | Single Room             | 66           | 30                              | £38             | £75,240                   |
| Juveniles                   | Single Room             | 19           | 30                              | £38             | £21,660                   |
| Single Male Parent          | Double Room             | 8            | 30                              | £38             | £9,120                    |
| Single Female Parent        | Double Room             | 54           | 30                              | £46             | £74,520                   |
| Couple                      | Double Room             | 22           | 30                              | £46             | £30,360                   |
| Family + 1 Child            | Double Room             | 24           | 30                              | £46             | £33,120                   |
| Family + 2 Children         | Family Unit             | 13           | 30                              | £52             | £20,280                   |
| Family + 3 or more Children | Family Unit             | 14           | 30                              | £52             | £21,840                   |

**Overall Gross cost to Medway Council:           £286,140**

The maximum income recoverable would be:

6,350 nights x £65/7 (the daily rate payable)

6,350 nights x £9.29 = £58,964.29

Therefore if the option to continue our current approach was approved the cost is likely to be in the region of £227,175 per year.

**Service and Performance Assessment**

The use of bed and breakfast accommodation is considered by the CLG as being the most undesirable way of accommodating homeless people. The Government has legislated and issued guidance to reduce the use of this form of accommodation. A statutory instrument, issued in 2003, places a limit on the time that families with children could be placed in bed and breakfast accommodation to no more than six weeks. More recently the Government issued guidance to local authorities that 16 and 17 year old clients should not be placed in bed and breakfast accommodation unless absolutely necessary.

These changes have led to a sharp reduction in the use of bed and breakfast accommodation across the country, with some authorities never or very rarely placing clients in such accommodation. The number of bookings in Medway has also decreased over this time. However, there is a local performance target to place clients for a maximum of only seven days. This target is not being met:

- 2009/10 average number of calendar days spent in B&B = 12.44
- April 10 – Jun 10 average number of calendar days spent in B&B = 10.54

Emergency accommodation is used because it affords the least security of tenure for clients whilst their homeless application is being assessed. A homeless application can take up to 28 days to assess and the average time taken is 23 days.

Even once the assessment has been completed and we are satisfied that there is no duty to provide accommodation, in some cases we have to continue to accommodate the client for a further 28 days or even longer if they request a review of the decision.

Presently we have very little access to any other form of emergency accommodation than bed and breakfast hotels. Recently we have used some self-contained emergency accommodation that has been provided by private providers or other agencies. However, this has been expensive, infrequently available and the level of supply has not been in line with demand.

### **Recommendation**

The cost of the existing model is estimated at between £227,175 per year going forward.

Accommodating homeless clients in bed and breakfast accommodation is considered nationally as being the least desirable approach and has been curtailed by Government.

Our current approach is not allowing us to meet performance targets.

This analysis suggests that the existing model is not an attractive way forward. This option is not recommended.

## **DEVELOP AN ASSESSMENT CENTRE:**

### **Introduction and Background**

Some authorities have established bespoke assessment centres for accommodating homeless clients whilst their application is being assessed. There are many permutations of ownership and management structure possible for such assessment centres. These range from being owned and managed by the local authority through to a service the authority buys but is provided by another organisation.

An assessment centre can take different forms. It can be rooms in a building with some shared and communal facilities or it can be self-contained dwellings in the same or adjacent buildings.

## **Financial Evaluation**

There are several costs to establishing an assessment centre:

- Purchase or lease of the property
- Development and refurbishment
- Management of the tenancies
- Maintenance of the property
- Voids
- Unrecoverable rent

These are all costs that would apply whether the service were developed by the local authority or by a partner agency. These costs would have to be met through the revenue that the centre would attract i.e. it should be self-funding. That income may include:

- Rent
- Supporting People grant funding
- Local Authority Housing Development grant
- Existing local authority revenue budgets
- Social Services grants

The costs will differ according to the type of assessment centre that is developed. A centre that is made up of self-contained dwellings will generally cost more than one that consists of rooms with shared and communal facilities.

### *Estimate of Costs:*

There are properties that have been suggested for development as an assessment centre. The Salvation Army has a building that has been cited as a possible opportunity. However, any building, even an existing one that may be possible to redevelop will attract a cost for use, either through its purchase or the payment of lease costs.

In order to simplify the analysis this report uses estimated lease costs rather than purchase costs. The cost of development has also been taken as one tenth of the total – spreading the cost over a ten year period:

| Cost Type (annual)       | Shared Facility | Self-Contained |
|--------------------------|-----------------|----------------|
| Lease                    | £40,000         | £100,000       |
| Development              | £8,000          | £14,000        |
| Management & Security    | £50,000         | £50,000        |
| Maintenance              | £17,000         | £20,000        |
| Voids                    | £12,000         | £32,000        |
| Rent Loss                | £3,000          | £8,000         |
| Off-site Placement Costs | £5,000          | £5,000         |
| Estimated Costs          | £135,000        | £227,000       |
| Contingency              | £14,000         | £23,000        |
| Total Annual Costs       | £149,000        | £250,000       |

Based on the property mix described earlier the calculation below shows the maximum rental income that can be generated using self-contained and non-self contained accommodation:

Shared facility assessment centre with 18 rooms:

18 rooms at £65 per week = £1,170 per week

Total rental income for the year: 52 x £1,170 = £60,840

Self-contained dwellings with 50% one-bedroom and 50% two-bedroom accommodation:

9 one-bedroom properties at £162.81 per week = £1,465.29

9 two-bedroom properties at £183.58 per week = £1,652.22

Total weekly income = £1,465.29 + £1,652.22 = £3,117.51

Total rental income for the year: 52 x £3,117.51 = £162,110.52

The estimated cost compared with rent levels is therefore:

Shared facility centre:

- Annual estimated cost: £149,000
- Annual rental income: £60,840
- Annual deficit: £88,160

Self-contained:

- Annual estimated cost: £250,000
- Annual rental income: £162,110
- Annual deficit: £87,890

The initial cost of development and refurbishment would have to be met up-front. The estimated development costs are based on properties that require a minimum amount of modification or repair. The costs could be very significantly more if the properties identified needed extensive work. The availability of capital resources for such work would need to be considered in light of the current financial climate.

### Service and Performance Assessment

Assessment centres are seen as a good model for the provision of emergency accommodation. However, there are also disadvantages. The table below outlines some of the issues:

| Shared Facilities   | Self-Contained  |
|---|---|
|   |   |
| The availability of a range of services   | The availability of a range of services   |
| Ease of access between authority and client   | Ease of access between authority and client   |
| More control over the quality of service provision  | More control over the quality of service provision  |
| Reduced risk of property abandonment  | Reduced risk of property abandonment  |
| Shared accommodation can lead to tensions between clients who have to share facilities  | Self-contained units offer better security and space for clients  |
| There will be a high level of void loss because often not all the units will be occupied  | There will be a high level of void loss because often not all the units will be occupied  |
| Uncertainty with regard to client flow and needs. Therefore, there will be extra costs incurred because sometimes the units will all be occupied and there will be a need to place more clients         | Uncertainties with regard to client flow and needs. Therefore, there will be extra costs incurred because sometimes the units will all be occupied and there will be a need to place more clients |
| There will be some clients who cannot be accommodated in the centre because of local risk of harm or other special circumstances e.g. arson   | There will be some clients who cannot be accommodated in the centre because of local risk of harm or other special circumstances e.g. arson   |
| It is not ideal for clients to remain in this type of accommodation for very long but if they seek a review of their case they may need to be accommodated for much longer than the anticipated 28 days |   |

\* Black – advantages

Grey - disadvantages

The advantages and disadvantages of assessment centres are finely balanced. The committee needs to consider these in the light of the costs and the other options in this report.

### **Recommendation**

The current lack of capital resources available to the local authority makes the development of such a centre unlikely. However, those costs could be spread if such a centre were to be developed by a partner agency such as a local housing association.

If such a partnership were possible the scale of the revenue costs described earlier would at least be the same but more likely higher. The deficit would therefore still need to be met through other funding sources. The constrained financial outlook is likely to mean that such funding is not easy to secure and that RSL's are not likely to want to target any limited resources into this area.

The service and performance advantages and disadvantages of this option are finely balanced.

## **PROCUREMENT FROM PRIVATE PROVIDERS:**

### **Introduction and Background**

Many authorities rely on private providers for the provision of emergency accommodation. We use bed and breakfast accommodation and some self-contained accommodation that is procured from private sector providers. However, we do not have any partnership arrangements with any providers and the procurement of such accommodation is undertaken on an as and when required basis.

The procurement of temporary and emergency accommodation has been developing over the last decade. Many authorities have now entered into framework agreements with a number of providers for the provision of both these types of accommodation. Some have even established sub-regional framework agreements that incorporate the provision of accommodation for homelessness prevention.

A framework agreement is a way of agreeing with a range of suppliers that they will offer services at an agreed price. The agreement is with a range of suppliers and does not need to stipulate a maximum or minimum transaction value per supplier.

The process for establishing a framework agreement is normally through a procurement exercise that is determined by the size of the contract value. If a contract has a value more than £156,442 the procurement must comply with the OJEU regulations.

Framework agreements have to be long enough to make them financially viable and yet not so long as to make them a constraint to future developments or innovation. Most such agreements are between two and five years long with three years being the most commonly used term. The OJEU contract value threshold is for the total contract value. Therefore for a three year term the annual contract value would have to be below:

$$£156,442 / 3 = £52,147.33$$

The contract value for the provision of emergency accommodation alone would be greater than this limit. The procurement process would therefore need to comply with OJEU regulations.

The OJEU regulations set out a methodology for ensuring all potential suppliers have equal access to bid for a contract. It also helps to ensure best value for the authority. The agreement could be for all or any of the following services:

- Provision of emergency accommodation
- Provision of temporary accommodation
- Provision of properties for use as a homelessness prevention option

It is possible for suppliers to bid for any or all of the components of a framework tender. Given this flexibility it is recommended that such a process would incorporate all the above elements.

### **Financial Evaluation**

The purpose of the OJEU process is to ensure that the authority is getting the service it needs at the best value for money. The suppliers bid in a blind tender process. They are expected to provide the services specified at the most competitive prices so as to win the contract. The tender evaluation is based on price and quality of service.

What is not possible is to know the outcome of such a process in terms of:

- How many providers will bid
- How many will be able to supply the services tendered at the required standard
- The price of services

What is known is the experience of other authorities that have undertaken such an exercise. The most successful agreements have been those where the size of each component service has been sufficiently large as to be commercially viable. Suppliers have to cover the set-up and running costs of offering the service. If the amount of business generated is limited it may not attract any interest from the market. Larger contracts are likely to generate greater market interest and competitive pricing.



It is not possible to make an accurate estimate of the likely pricing of emergency accommodation based on this procurement process. The size of the requirement is relatively small and this may affect the price or number of suppliers.

The experience of larger authorities and other sub-regional framework agreements has been that costs differ for the form of accommodation procured.

Many authorities, including our own, have moved to using Housing Association Leased (HALs) properties for the provision of TA. The reason for the change is that this model for TA offers the lowest residual unit cost and makes such accommodation close to cost free. Any procurement exercise would be based on the same model being specified for the procurement of TA and so the cost of this element should remain very low.

The Housing Solutions Service is only one of a number of other local services that procure accommodation for use by their clients. This is replicated across the other authorities in the sub-region. The list includes:

- Other local authorities in the sub-region
- Social Services
- Probation
- Educational Institutes
- Health Services

If all these organisations were to pool their accommodation requirements it would mean that the size of the contract would be considerably larger. This would mean there would be greater economies of scale for potential providers and so a lower unit cost could be negotiated.

The cost of TA has already been mentioned above. If a sub-regional multi-agency approach were adopted for the procurement of EA this would increase the size of the contract value and so make the contract more viable for providers. Some authorities that have high numbers of EA units have managed to negotiate their rates down considerably since the introduction of the new subsidy regime. The best rate that the report author is aware of is:

90% LHA + £45 per unit per week

This is the rate some London authorities are paying and is equal to the amount of housing benefit subsidy payable for temporary accommodation. If the authority were able to secure emergency accommodation supplied at the local subsidy rate, which is:

90% LHA + £60

The cost of provision would be reduced only to the officers responsible for the booking and payment processes, and the cost of unrecoverable rent.

There are two ways of delivering such a model:

- Work with all the organisations to create a single OJEU specification for a framework agreement
- Establish a social enterprise/arms length company wholly or partly owned by the organisations involved that would undertake the procurement on the same basis as above but which could also directly procure and manage properties

The choice of these two models would rely on discussions with the other agencies and authorities that may be interested in joint procurement and understanding their needs and preferences.

### **Service and Performance Assessment**

The benefit of this option is that the agencies can specify exactly what type of service they wish to purchase. The significant elements of this approach include:

- Having greater control and flexibility over what type of accommodation is supplied
- Ability to specify the condition and quality of the accommodation
- Ability to specify what checks are expected each time the property is vacated and to be re-let
- Ability to specify the number and type of properties required on a flexible rather than fixed basis
- The ability to specify the preferred location of properties
- Economies of scale help to minimise unit costs
- Accommodation can be used for a variety of needs including EA, TA and as a prevention option

The advantages and disadvantages of this approach can be summarised as follows:

- The use of an OJEU procurement process is considered the most robust way of ensuring the quality and consistency of service and value for money
- This option is most likely to achieve the greatest reduction in the cost of EA and TA provision
- This model makes it least likely that clients will need to be placed in bed and breakfast accommodation
- Helps to achieve Gershon efficiency savings
- Accommodation is supplied for use as a prevention option as well as for TA/EA
- The social enterprise/arms length company model would allow the possibility of associated services being tendered as well
- There is no certainty of the outcome of any procurement exercise and some authorities have been unsuccessful

- A poorly written contract specification can lead to difficulties with the service provision or contract management
- Unless there are robust contract management mechanisms the quality or consistency of service provision cannot be guaranteed
- A multi-agency, sub-regional approach will require detailed negotiations with all the other agencies and there can be no certainty of the outcome or that agreement can be reached
- The establishment of a social enterprise/arms length company would be a pioneering innovation and, although its successful implementation would be ground-breaking, it will require experienced project management

\* Black – advantages

Grey - disadvantages

## **Recommendation**

Notwithstanding the uncertainties and risks of this option it offers the possibility of the greatest flexibility, cheapest residual unit cost and quality and level of service. This report therefore recommends that this option be taken forward.