

Committee: Cabinet	Date: 29 th July 2009	Classification: Unrestricted	Report No:	Agenda Item:
Report of: Corporate Directors of Adults, Health & Wellbeing and Development & Renewal		Title: A "Temporary to Permanent" Scheme for Homeless Accommodation		
Originating officer(s) Colin Cormack & Jackie Odunoye		Wards Affected: All		

1. SUMMARY

At its February 2007 meeting, Cabinet considered a report that advised of the Council's responsibility to make temporary accommodation available to homeless households, described the current portfolio of that temporary accommodation and looked at how the cost of that accommodation could be applied to a programme of asset acquisition.

Cabinet agreed the report's recommendations of progressing a Temporary to Permanent Scheme [T2P] in a competitive exercise to select a registered social landlord as a potential partner. Officers were further required to report back on the conclusion of that process with specific recommendations. This report describes the adverse impact of recent changes to national grant funding arrangements on the financial viability of a Temporary to Permanent scheme and advises, as a result of this, that the Council no longer pursues the development of such a scheme

2. RECOMMENDATIONS

Cabinet is recommended to agree :-

- a) that in light of recent changes in grant funding arrangements a Temporary to Permanent Scheme is no longer pursued

Local Government Act, 2000 (Section 97)
List of "Background Papers" used in the preparation of this report

<i>Brief description of "back ground papers"</i>	<i>Name and telephone number of holder and address where open to inspection.</i>
<i>Cabinet Report "A Temporary to Permanent" Scheme for Homeless Households – 2007</i>	<i>Colin Cormack Ext.7214</i>
<i>Procurement Documentation</i>	

3. BACKGROUND

- 3.1 The Housing Act 1996 (as amended), requires all councils to consider the provision of temporary accommodation to any homeless household seeking assistance under the legislation and, if a statutory homeless duty is accepted, that provision must continue until the household is offered a secure Council/RSL tenancy, an assured private sector tenancy or agrees to take a assured short-hold private tenancy.
- 3.2 In Tower Hamlets, there are some 2,300 households living in temporary accommodation. Current temporary accommodation provision includes placing homeless households into privately owned temporary accommodation. However, this arrangement does not offer a long term solution to the supply of affordable accommodation.
- 3.3 The intention behind a “Temporary to Permanent” scheme [T2P] is to provide that longer term solution by developing housing supply through a registered social landlord as an alternative to the private sector. This involves the acquisition of a given number of properties by the registered social landlord which the landlord then rents as homeless temporary accommodation. The intention is that by employing surpluses from this business arrangement the landlord can reduce the acquisition debt over a given period and eventually make the majority of the properties available at affordable rents.
- 3.4 In February 2007 the Cabinet considered a report on T2P and agreed that officers should explore the development of such a scheme with registered social landlords using a competitive procurement process.

4. THE PROCUREMENT PROCESS

- 4.1 Following the Cabinet decision to explore the potential for a T2P scheme, officers embarked on a scoping exercise designed to:
- set down the scheme’s broad design
 - identify potential RSL partners
 - develop section criteria
- 4.2 In the exercise to define the scheme’s overall design, two broad models were considered. The first, the AST model, reflected the potential for the occupying households to have a direct assured shorthold tenancy [AST] with the RSL. The second was of a Lease arrangement with the RSL. This model sees similar arrangements as exist with the current providers of temporary accommodation with occupying homeless household as a licensee to the Council, with the Council itself then being a licensee to the property’s owner/agent.
- 4.3 In the procurement process, bidders were encouraged to present proposals for both models because the preference for one over the other was principally predicated on the financial impact to the council. Much of that impact would have depended on expected changes to Housing Benefit Subsidy which were at the time unconfirmed.

- 4.4 Within the competitive process the initial the selection criteria employed included:
- a) experience in delivering T2P
 - b) intentions for accommodation management
 - c) scheme delivery arrangements
 - d) risk management
 - e) management costs
 - f) acquisition and investment proposals
- 4.5 The purpose of the competitive process was to identify a “Preferred Bidder” with whom negotiations could then be entered into in order to reach to reach agreement on a contract for the delivery of a scheme. It was further determined, with legal and procurement advice, that the nature of any ensuing contract was not subject to OJEU requirements and that a negotiated tender was the appropriate solution. The process still adopted many of the principles of OJEU where appropriate.
- 4.6 Having agreed the appropriate processes and criteria, the Council approached a number of major RSL’s who have experience in competing for and/or implementing a T2P scheme for other Councils. This exercise then led to securing interest in participating in the procurement process from three potentially strong candidate organisations.

5. THE SELECTION PROCESS

- 5.1 A selection panel was established and further selection criteria developed based on the following, with each having equal weighting:
- a) Financial Robustness and the meeting of the specification
 - b) Risk – identified, attributed and with appropriate mitigations
 - c) Customer Service (to the tenants) – quality, user focus and a commitment to continuous improvement
 - d) Customer Service (to the Council) – performance management methodology
 - e) Governance – for ensuring appropriate oversight by the client
- 5.2 First and second round interviews and presentations were held and two strong candidates were identified with evidence of robust financial and risk models, a demonstrable track record of high quality customer service and commitment to developing a performance management programme that would meet the Council’s needs.
- 5.3 As expected, both candidates brought forward strong proposals. Both bids were strong in terms of service quality to tenants and to the

Council and both bidders demonstrated a robust approach to identification and mitigation of risks such as:

- Lack of households available to nominate
- Local Housing Allowance (LHA) failing to match models
- Arrears and bad debts
- Lack of capital available for provider to purchase properties
- Failure to meet contractual obligations
- Appropriate properties not available/not available at right price
- Interest rate rises, falling house prices / collapse of housing market
- Failure to ensure property standards
- Higher than budgeted void loss
- Continuous improvement expectations

5.4 All models estimated the percentage of stock remaining as affordable at the end of the term of years [the 'conversion' factor], the length of that term and the rents required up to conversion. However, these models all contained variable assumptions around property values and interest rates which made reliable comparative judgement on their predicted outcomes difficult.

6. THE IMPACT OF RECENT CHANGES IN GRANT FUNDING

6.1 Towards the end of the procurement and selection process changes were made to grant funding streams which fundamentally and adversely affected the viability of the T2P proposals.

6.2 Until 2009/10, the Greater London Authority held a targeted funding stream described as "Settled Homes Initiatives". This was seen as a sound and valuable source of grant funding for schemes such as those associated with Temporary to Permanent initiatives. The availability of such grant strongly underpinned the viability and attraction of the financial modelling used within our own procurement process.

6.3 However, during the procurement and selection process, the balance of the GLA's Settled Homes Initiatives funding became committed. The only other source for funding of this type is now via the Homes and Community Agency.

6.4 As the Homes and Community Agency has now become the sole source of social housing grant funding, any application for funding by an RSL in developing a T2P scheme would potentially threaten the success of other Council bids and priorities for grant funding.. In other words, any T2P scheme would be in direct competition with the Council's commitments to other major development programmes.

...

6.5 It has therefore become clear that under the current grant funding arrangements and constraints it is not appropriate to pursue a T2P scheme that might effectively undermine the Council's access to funding for its current priorities. For example, it is estimated that the

T2P proposal may need HCA grant of around £55million which would impact negatively on the Council's access to funds for the Ocean and Robin Hood Gardens programmes. In short, what went to a T2P scheme would not be available to those developments.

- 6.6 For the above reasons therefore this report is recommending that a T2P scheme is no longer pursued.

7. Comments of the Chief Financial Officer

- 7.1 This report outlines the progress in developing a Temporary to Permanent Scheme for homeless accommodation, as requested by Cabinet at its meeting in early 2007.
- 7.2 It concludes however that as a result of changes to grant funding a Temporary to Permanent Scheme should not be progressed (see section 6).

8. Concurrent report of the Assistant Chief Executive (Legal)

- 8.1. Cabinet is asked to agree the proposal not to proceed with the Temporary to Permanent Scheme which has been the subject of a procurement exercise. It is understood that no issue has been taken by any bidders with the proposal. Taking into account the circumstances outlined in the report, it is considered that no liability will result by reason of the decision not to proceed.

9. Equal Opportunities Implications

- 9.1 There are no equal opportunity implications directly attributable to these recommendations.

10. Anti-poverty implications

- 10.1 There are no immediate anti-poverty implications directly attributable to these recommendations as the way remains open to explore other methods of developing affordable housing for homeless households.

11. Sustainable action for a greener environment

- 11.1 When exploring such options, regard will be had to positive impact on sustainable action for a greener environment by the development of properties that will be fully Decent Homes compliant at the point of first letting.

12. Risk management implications

- 12.1 The risk implications centred around not being able to progress a T2P scheme because of the very real prospect of not being able to access grant funding. The recommendations of this report serve then to remove that risk.

