

**Value for Money & Policy Review**

**Asylum Seeker Accommodation Programme**

**Reception & Integration Agency**

**FINAL REPORT**

**May 2010**

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# **Value for Money and Policy Review Asylum Seeker Accommodation Programme Executive Summary**

## **Background**

This Value for Money (VFM) Review examines expenditure on the provision of full board ("Direct Provision") accommodation services for asylum seekers by the Reception and Integration Agency (RIA) - a functional unit of the Irish Naturalisation and Immigration Service (INIS) of the Department of Justice, Equality and Law Reform.

The Review had a number of purposes. It had to examine (with particular concentration on 2005 to 2008) the aims and objectives of the Programme and determine if these aims and objectives remain relevant and warrant the continued allocation of public funds; to determine whether the Programme is providing value for money; to make recommendations as to how the value for money of the Programme can be improved; to examine alternatives to the Programme and to determine whether these alternatives would provide better value for money.

The extent of the programme under review is reflected in the fact that at the end of 2008, RIA had 60 accommodation centres accommodating almost 7,000 asylum seekers and the total cost of the services provided by RIA was over €1m.

## **Effectiveness and Continued Relevance**

The Review found that the aims and objectives of the accommodation programme run by RIA remain relevant and continue to warrant the allocation of public funds. The accommodation programme was found to be effective in that it has provided for the accommodation needs of all asylum seekers that require accommodation and it has dispersed accommodation centres around the country to ensure, as far as possible, that the additional demand on local services is not an undue burden in any one location.

## **Efficiency**

In its examination of the efficiency of the programme the Review acknowledges the practical need for RIA to maintain a level of bed capacity over and above what is being used at any given point in time. The Review calculated that at current usage levels and under current contract conditions this "excess capacity" should be less than 10% and that recent "excess capacity" levels of 15% should be reduced as soon as possible to yield an estimated annual saving of €3.9m.

The Review found that there were significant variations in daily rates charged by the accommodation centres and that there was a correlation between the location of the centre and the rate charged. Excluding the extremes there could still be a difference of up to €8.50 per day between the cheaper and dearer rates. Given that every €1 per day on the daily rate would cost €3m per annum these variations in rates are significant. It was also found that difficulties in opening and closing centres and procurement

challenges have restricted competition which has resulted in contract renewals being favoured.

The Review also found that RIA has succeeded in maintaining changes in average daily rates below the CPI index since 2000 and that average rates have actually fallen between 2000 and 2007 against inflation of 37% in that period. A comparison between RIA rates and international and domestic comparators, while not comparing like-with-like and therefore not conclusive, did show that daily costs paid by RIA are broadly similar.

An arguable case can be made that good daily rates are secured and the Review acknowledged that switching between centres carries a one-off financial cost and a human disruption cost, but it was concluded that insufficient capacity is being offered to the market and rates are therefore not robustly tested. The Review recommended that RIA move to a more open competition process and issue regular invitations to tender.

The Review examined the potential for savings if RIA moved from using "contracts for capacity" only to using a mixture of "contracts for capacity" and "contracts for availability and occupancy" and it also examined the potential for savings that might result from a relaxation of the Government dispersal policy. However, relaxing the dispersal condition would require a Government decision. Using a number of different scenarios and assumptions the Review found that significant savings could be made from having the right mix of contracts and from allowing RIA to follow a less restrictive policy on dispersal. Savings could also be achieved if the cost of unused accommodation, because of mismatches between family size and the available accommodation units, was transferred to the supplier.

The Review found that the current cost of State-owned centres was approximately €6 per person per day cheaper than the Commercial Centres and therefore it makes sense to maintain the current State-owned accommodation centres. However, when capital costs are taken into account however there is no case for expanding the number of State-owned centres. The decision on the level of State-owned accommodation depends on many factors including the commercial rates charged; the rates being charged to run the State-owned centres; the cost of purchasing or developing centres; the rate of change in the number of asylum seekers needing to be accommodated; and the flexibility to adjust to these changes. The mix of State-owned and commercial centres in the portfolio of accommodation centres should be kept under regular review.

### **Alternative Options**

The Review examined a number of alternatives to Direct Provision:

1. Allow Asylum Seekers to claim Social Welfare and Rent Supplement
2. Provide Self-Catering Accommodation
3. Local Authority Housing

The Review found that these options would be significantly more expensive than Direct Provision and concluded that using Direct Provision has proven to be the correct choice in providing for the accommodation needs of asylum seekers.

## **CHAPTER 1. Value for Money Review Terms of Reference**

**Objective of VFM Review:** The purpose of the proposed review of Asylum Seeker Accommodation is to examine (with particular concentration on 2005 to 2008); the aims and objectives of the Programme and to determine if these Aims and Objectives remain relevant and continue to warrant the allocation of public funds; to determine whether the Programme is providing value for money; to make recommendations as to how the value for money of the Programme can be improved; to examine alternatives to the Programme and to determine whether these alternatives would provide better value for money.

**Context:** The Value for Money Review of Asylum Seeker Accommodation is being carried out in the context of:

- Cumulative spending in this area of €581.8m in the years 2002 to 2008 inclusive
- The Government's examination of potential areas of saving in the current economic climate;
- Reviews across all Departments of areas involving significant levels of expenditure.

### **Membership of Review Group**

**The Review Group is directed by an independent Chairman and comprises officials from the Department of Justice, Equality and Law Reform, including the Reception and Integration Agency and the Department of Finance. Full membership is listed at Appendix 3.**

## **Terms of Reference**

**1) Establish the aims and objectives of the Asylum Seeker Accommodation Programme.**

Establish the original and current aims and objectives of the programme.

**2) Are these Aims and Objectives still valid?**

Determine if these Aims and Objectives remain relevant and continue to warrant the allocation of public funds.

**3) Define the Outputs associated with the Programme**

Define and quantify the outputs of the programme.

**4) How effective is the Programme?**

Does the programme meet its objectives?

**5) How efficient is the Programme?**

How efficient is the programme, and can it be made more efficient?

**6) Should the programme continue in its current format?**

Examine alternative options and improvements.

**7) Specify potential future performance indicators that might be used to better monitor the performance of the Programme.**

## **CHAPTER 2. Introduction**

### **2.1 Origins of the Asylum Seeker Accommodation Programme Background**

The number of asylum applications in Ireland increased dramatically in the late 1990s. In 1998, 4,426 asylum seekers applied for refugee status. In 1999, this figure rose to 7,724. On the basis of these trends, it was anticipated that between 12,000 and 15,000 would claim asylum in Ireland during 2000. At that time the majority of asylum seekers lived in Dublin and the provision of accommodation for asylum seekers was handled, in the main, by the then Eastern Health Board who treated the asylum seekers as homeless. In late 1999, the shortage of accommodation reached crisis point with reports of asylum seeker families sleeping in parks as there was no accommodation available to them.

#### **Direct Provision and Dispersal**

The system of direct provision commenced in April 2000. The Government had decided that asylum seekers should be dispersed throughout the country and have their needs met by a system of direct provision. This move was made in the context of measures taken in other EU countries to control illegal immigration and process large numbers of asylum applicants. The UK (with whom Ireland operates a Common Travel Area) decided to introduce a system of direct provision. Failure to introduce a comparable system in Ireland would have resulted in the perception of Ireland as providing favourable treatment to asylum seekers, which in turn would have led to even higher levels of asylum applications. The Government's decision was also driven by the accommodation crisis in Dublin and aimed to ensure burden sharing across State service providers whose services are open to and accessed by asylum seekers. This includes community welfare, health, education and other services.

The State's legal obligation to provide accommodation and reception services to asylum seekers arises in the context of the 1951 Geneva Convention relating to the Status of Refugees, by which Ireland is bound. Other International agreements at UN and EU level expand on the rights of those covered under the Convention. The EU Directive on the Minimum Standards for the Reception of Asylum Seekers (Council Directive 2003/9/EC of 27 January, 2003) sets out what services must, at a minimum, be provided to asylum applicants in order to ensure them a dignified standard of living; to afford them comparable living conditions across all member states, and to limit secondary movements (Dublin II controls – asylum shopping).<sup>1</sup> Ireland has not opted into this Directive on the basis that it allows for asylum seekers to be granted the right to work, however, Ireland complies with and exceeds the minimum standards in almost every other respect of the Directive.

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<sup>1</sup> The Dublin II (Council Regulation (EC) No. 343/2003) of 18 February 2003 lays down the criteria and mechanisms for determining the Member State responsible for examining an application for asylum lodged in one of the Member States by a third-country national. The Regulation came into operation on 1 September 2003.

As asylum seekers are barred from working by the Refugee Act 1996 and are not entitled to claim social welfare under the Social Welfare Consolidation Act 2005, RIA has been advised that to remove access to direct provision accommodation in such circumstances would present an unacceptable risk to the wellbeing of an asylum seeker, for which the State could be found liable.

The State discharges its legal obligations to provide for the basic requirements of asylum seekers through direct provision. For the most part, it represents a cashless system with the State assuming responsibility for providing suitable accommodation on a full board basis. Rent, heating, electricity, lighting, other services and food (including baby food, where required, and school lunches) are provided to the resident free of charge.

A Direct Provision allowance of €19.10 per adult and €9.60 per child is paid by Community Welfare Officers (CWO). The allowance is a cash supplement for incidentals and it is not index-linked. CWOs also have discretion to make once-off Exceptional Needs Payments (ENP) in relation to, for example, back to school clothing.

Asylum seekers in direct provision generally qualify for medical cards. Children are entitled to free primary and secondary education. They receive health and education services from mainstream hospitals/clinics and schools in the same way as Irish citizens.

Asylum seekers are accommodated at initial reception centres in Dublin for approximately 2 weeks for the purpose of: needs assessment; registration for community welfare; health screening and other medical assessments; the provision of information; and processing of the initial stages of their asylum applications including substantive interview at ORAC, before being resettled at other locations around the country.

After the initial reception period, asylum seekers are dispersed to accommodation centres where they will reside until there is a resolution of their asylum application. Asylum seekers may also be transferred between accommodation centres during this period for bed management reasons, change in family profile (e.g. birth of a child), and medical or special needs reasons or due to incidents at centres which may require their transfer to alternative accommodation.

The RIA also operates a limited supply of self-catering centres where residents can cook for themselves and where they receive a reduced rate of Supplementary Welfare Allowance (SWA) from the CWO Service which allows them to budget for their own needs.

## **Brief History of the Administration of Asylum Seeker Accommodation**

The Directorate for Asylum Support Services (DASS) was established in November, 1999 under the aegis of the Department of Justice, Equality and Law Reform to co-ordinate direct provision and dispersal policies. The urgent priority for the DASS was the sourcing of accommodation for asylum seekers. On foot of a Government decision, advertisements were placed seeking accommodation from proprietors of hotels, hostels, guesthouses and other privately owned properties throughout the country. It was anticipated that approximately, 2,000 places could be made available in this way. It was clear however, that there would not be a sufficient supply of privately owned accommodation to meet requirements.

In March 2000, the Government decided to set up the Reception and Integration Agency (RIA) under the aegis of the Department of Justice, Equality and Law Reform. Formally established in April 2001, it replaced the DASS and the Refugee Agency which had operated under the aegis of the Department of Foreign Affairs.

The Government also agreed in March 2000 an accommodation solutions structure which envisaged 2,000 places in the commercial sector, 1,000 places in mobile homes, 1,000 in flotels, 4,000 in system built accommodation and 4,000 places in permanent built accommodation.

A balanced distribution of accommodation throughout the country was sought, having regard to all the relevant factors, including the following:-

- The type of accommodation (hostel, guesthouse, former hotel etc.);
- The location of the accommodation;
- The local population and the number of asylum seekers already living in the area;
- The local infrastructure (transport, schools, hospitals etc.);
- The numbers to be accommodated.

At the end of 2008, RIA had 60 accommodation centres dispersed across 22 counties. 45 are privately owned full board centres operated under contract. There are two reception centres and six self-catering centres which are also privately owned and operate under contract. There are seven state-owned centres. The operation of these centres is outsourced.

### **RIA Staffing**

The RIA comprises 8 Units, currently totalling 44 staff at the following Grades: Asst. Secretary,1; Principal Officer,1; Prison Governor,1; Asst. Principal Officer, 5; AO / HEO Equivalent, 9; Clerk I (Prison Service), 1; Executive Officer,11; Staff Officer,1; Clerical Officer,10; Services Officer, 4. Staff are seconded from the Department of Social, and Family Affairs (current AP vacancy), the Department of Health and Children (current AP vacancy), the Department of Education and Science, the Department of the Environment and Local Government (vacancy), Dublin City Council, the HSE and the Prison Service.

## Costs

Prior to 2003 payments to management companies in the State-owned sector and contractors in the commercial sector were made by the relevant local authority which in turn recouped that expenditure from the Department of the Environment and Local Government. From 2003 RIA has paid the contractors directly. The annual cost for the provision of accommodation from 2003-2008 is as follows:

<b>Year</b>	<b>Budget Provision</b>	<b>Outturn</b>
2003	€73m	€77m
2004	€69m	€83m
2005	€71m	€84m
2006	€74m	€79m
2007	€70m	€83m
2008	€74m	€91m
2009	€67.4m	€66.5m provisional outturn.

## **The RIA Remit**

### **Asylum Applicants**

RIA accommodates all those who make a claim for asylum and seek accommodation until such time as they:

- a) leave voluntarily;
- b) are removed - either by way of deportation or Dublin II removal;
- c) are granted refugee status;
- d) are granted subsidiary protection<sup>2</sup> or
- e) are granted leave to remain, either through the 1999 Immigration Act or by way of a special scheme such as the 2005 IBC scheme.

The RIA accommodates persons at every stage of the asylum process and beyond that to a point of resolution of the case. The RIA will accommodate persons who have effectively failed the asylum process but who have made applications for Subsidiary Protection, Leave to Remain in the State or who are engaged in a Judicial Review both within the asylum process and at the subsequent stages of the immigration system. RIA's remit to accommodate ceases where a person has been granted refugee status, subsidiary protection, leave to remain or where a deportation or other removal has been effected.

#### **Repatriation of Destitute EU12 Nationals:**

The RIA is responsible, under Government decision, for the repatriation of destitute citizens from the 10 EU Member States which joined the EU on 1 May 2004 and the 2 EU Member States which joined on 1 January 2007. This service is provided to destitute EU12 nationals wishing to return home and is operated on an agency basis for the Department of Social and Family Affairs. If necessary, and subject to availability of accommodation, the RIA will accommodate the person(s) concerned for one or two nights in one of its designated Dublin centres and provide them with transport home as soon as practicable.

In 2008, a total of €162,940 was spent by RIA on flights, with a further €8,309 being spent on related taxi fares. A total of 757 destitute citizens of the 12 states were returned. The accommodation costs for the "new EU12" nationals, immediately prior to their repatriation, is paid from the same subhead as that used for the Programme and is therefore within the scope of this Review. Flight costs and associated transport costs are not paid from this subhead and the repatriation process itself is not part of this Review.

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<sup>2</sup> Subsidiary Protection is a form of international protection offered to those persons who do not meet the criteria for recognition as a refugee but who nonetheless claim a risk of serious harm in their country of origin if repatriated there. It derives from European Council Directive 2004/83/EC of 29 April 2004 which was given effect in Irish Law on 10 October 2006 by way of Statutory Instrument.

## Victims of Trafficking

The RIA, has been given responsibility for the provision of accommodation to potential and suspected victims of trafficking in Ireland. This is to facilitate such persons during the 'period of reflection' set out in the Anti Human Trafficking Act, 2007. This provision sets out a period during which a potential or suspected victim of trafficking can consider whether to assist the Gardaí in locating and dealing with those responsible for the trafficking. This service only commenced in 2009 and it is not yet possible to forecast future demand accurately. The costs are attributed to the programme subhead. To date, the caseload has been low, and the cost implications minimal.

## **CHAPTER 3. Objectives, Outputs and Effectiveness**

This Chapter addresses the first four Terms of Reference for this Review.

### **3.1 Establish the aims and objectives of the Asylum Seeker Accommodation Programme.**

The Reception and Integration Agency (RIA) of the Department of Justice, Equality and Law Reform is charged, amongst other things, with:

- Providing for the reception and accommodation needs of asylum seekers.
- Providing accommodation for destitute nationals from the 12 Member States which joined the EU in 2004 and 2007 who are voluntarily repatriating.
- Accommodating potential and suspected victims of human trafficking while they cooperate with Garda investigations.

For the purposes of this VFM report, the asylum seeker accommodation programme should be understood as the overall programme of accommodation provision to the three groups listed above. References to "asylum seekers", unless the context demands otherwise, should be understood as referring to all three groups.

**The primary objective of the programme is to ensure that the accommodation, food and other ancillary service needs of asylum seekers are met as required by international and domestic obligations.**

**The programme has a secondary objective of ensuring that the demand on public services, such as health and education is not disproportionately burdensome in any one region.**

### **3.2. Are These Aims & Objectives Still Valid?**

The aims and objectives of the programme are still valid as the legal and other obligations to provide services to asylum seekers continue, and at June 2009, there were in the region of 7,000 asylum seekers availing of the service. They are not allowed to work and they are not entitled to claim social welfare and it has to be assumed they do not have the means to provide for their own accommodation needs.

### **3.3 Define the Outputs associated with the Programme**

The main output of the programme is the provision of accommodation and ancillary services to asylum seekers. A key aspect of that output is the effective dispersal of asylum seekers in accordance with the dispersal policy.

The primary unit of output of the programme can be described as:-

**The use of a dispersed bednight (including food and ancillary services) of the requisite quality by an asylum seeker.**

In terms of individual units of output, as defined above, RIA has provided literally millions of day-units of accommodation. It is more meaningful to say that RIA has accommodated 46,008 asylum seekers between 1 April 2000 and 31 December 2008.

### **3.4 Unpredictable Nature of Demand**

The asylum seeker accommodation programme is demand led and largely unpredictable. Some of the key factors which must be borne in mind are:

- the number of new applicants for asylum per month is not known in advance. All newly arrived asylum seekers are potential RIA clients.
- asylum seekers present to RIA who had previously not been availing of its accommodation. There is no enforced obligation placed on asylum seekers to avail of or remain in RIA accommodation. A number of asylum seekers choose not to avail of this service. However, some of this cohort subsequently present seeking accommodation.
- The length of time persons reside in RIA accommodation is determined by the rate of case resolution at the end stages of the process. This includes grants of refugee status, deportations, Dublin II transfers (to other EU Member States) and removals from the State. The rate of resolution of cases affects the duration of stay in the State which impacts on demand for bed spaces within RIA accommodation.

The RIA has no control over these factors as the processing of asylum and subsidiary protection claims is managed by ORAC, RAT, INIS and is also impacted upon by judicial review actions.

At the end of 2008 - 32% of residents were in RIA accommodation for up to one year, 23% between one and two years, 18% between two and three years and 27% for more than three years.

At the end of August 2009, 1,828 (47.3%) of the 3,866 persons that applied for asylum in 2008 were still residing in RIA accommodation. This is made up of a combination of two factors (i) the length of time that people remain in RIA accommodation and (ii) the percentage of asylum applicants that use RIA accommodation. The corresponding figures for 2009 were 1,916 applicants for asylum up to end August 2009 and of these there were 1,149 persons (60%) residing in RIA accommodation.

In addition, between November 2008 and mid-August 2009, there were in the order of 400 requests from existing asylum seekers 're-applying' for RIA accommodation. These would be asylum seekers who never previously availed of RIA accommodation or who had been in RIA accommodation but left at some point. While a number of such 're-applicants' do not eventually take up accommodation, the potential for impact on demand remains and the volume of such 're-applications' appears to be growing.

### **Factors behind the need to purchase an excess quantity of inputs to meet the objective**

RIA purchases a fixed quantity of accommodation days from its contractors. The contracts are “contracts for capacity” not “contracts for use”. RIA has to purchase excess capacity to guarantee that it will meet its objective. The relationship between inputs and outputs is considered in detail in the next Chapter which examines efficiency. The main reason why RIA needs to have excess capacity is because the demand for their services is not predictable. There are also other factors which make the precise matching of demand and supply virtually impossible. These include:

- Nationality and ethnicity of new asylum applicants;
- Gender
- Family status
- Maternity
- Family size
- Birth rate among asylum seekers already in RIA accommodation;
- Rates of departure from and return to direct provision
- Impact of chickenpox or other health related restrictions (HSE protocol).
- Special Needs

These factors lead to a need for excess capacity in the system, as for example, an outbreak of chickenpox in a centre requires a restriction of movements and can lead to bed spaces being unusable for a period. The effects of such constraints are examined in greater detail in chapter 4, in particular the challenge of balancing capacity and occupancy levels so as to optimise efficiency while maintaining the effectiveness of the programme.

## **3.5 Output Quality**

### **Standard of Service**

The RIA seeks to maintain a standard of accommodation and ancillary services which can stand up to scrutiny by organisations such as the UNHCR, EU and NGO groups. While there exists an opposition by some NGO groups to the direct provision policy itself, the operation of the policy has continued to stand up to scrutiny.

Notwithstanding that Ireland has not opted into it, the RIA operates in accordance with the material standards set out in the EU Directive on Minimum Material Standards for the Reception of Asylum Seekers.

RIA's functions are subject to international scrutiny. As an example of this, RIA centres have been open to examination by the UNHCR representative who visited 5 centres in 2008 and 2009 and by the Council of Europe Human Rights Commissioner Thomas Hammarberg who visited Kinsale Road in Cork in 2008. The RIA also facilitated visits (at the request of the UNHCR in Ireland) to a number of accommodation centres by Mr. Wilbert van Hovell, UNHCR Regional Representative in February, 2009.

### **Measures to ensure Quality of Outputs**

Each property in the private sector used by the Agency for providing accommodation for asylum seekers is inspected by officials from the Agency prior to its use to ensure that it is suitable for the accommodation of asylum seekers.

All accommodation providers and other companies engaged by the RIA to operate centres are required under a comprehensive Memorandum of Agreement (generically approved by the Office of the Attorney General) to ensure that the centres comply and operate with all statutory requirements of local authorities and other agencies in relation to bedroom capacity, food, food hygiene, water supply, fire safety, general safety and so forth. Particular attention is given to ensuring that adequate communal and recreational facilities are provided. A synopsis of the generic contract is attached at Appendix 1.

In centres where children are accommodated, particular emphasis is placed on meeting their needs. This involves the provision of additional facilities such as: infant formula; infant food; access to fresh water (for the preparation of infant formula); sterilizers; fridges; microwaves/bottle warmers, nappies etc.

### **Quality Inspections**

The RIA regularly conducts unannounced comprehensive full day and other informal inspections on each of the centres to ensure that the terms of the Memorandum of Agreement are being met. In addition, the RIA has for the past number of years

engaged independent assessors with expertise in the field to conduct unannounced inspections on its behalf. All centres can be inspected by Environmental Health Officers.

It is the policy of the RIA to conduct at least twice yearly comprehensive unannounced inspections on each of the properties used to accommodate asylum seekers. The independent assessor contracted by the RIA also conducts comprehensive unannounced inspections on every centre at least once per year.

Any diminution in standards which comes to the attention of the inspection team is treated very seriously by the RIA and proprietors are immediately requested to make any changes and improvements deemed necessary. Serious breaches have led to the closure of a number of centres in the past.

### **3.6 How effective is the Programme**

As stated above the objective of the Programme is - “to ensure that the accommodation, food and other ancillary service needs of asylum seekers are met, as required by international and domestic obligations.” Since the inception of the RIA (and its predecessor the DASS), no asylum seeker who was in need of accommodation and who sought the RIA’s assistance has gone without such accommodation. The quality of the accommodation is monitored and standards are maintained. The Programme is therefore 100% effective in that it has always provided accommodation to any asylum seeker entitled to the service and who seeks to avail of the service and the burden on public services such as health and education have been proportionately shared across the country. The actual dispersal of asylum accommodation is examined in Chapter 4 (Section 4.3).

## CHAPTER 4. Efficiency

### 4.1 Introduction:

It is Government policy to provide for the needs of asylum seekers through Direct Provision and Dispersal. Alternative policy options are explored in Chapter 5. This chapter restricts itself to examining how efficiently Direct Provision is implemented.

Measuring efficiency involves an examination of the ratio of inputs to outputs. The efficiency question asks whether the same level of output and result could be achieved with fewer inputs<sup>3</sup>, i.e. at a lower financial cost.

The definition of the outputs of this programme was considered in Chapter 3 and can be summarised as “bed nights used”. Within the Direct Provision model there are numerous different approaches that RIA could have selected in order to deliver the required number of outputs. To some extent government policy on dispersal and external constraints (primarily the availability of school places and medical services) limit the number of solutions that can be considered. The model RIA has used has the following essential features:

- Accommodation centres spread throughout the country as dictated by Government policy on dispersal.
- Contracts for capacity. Providers are paid for a fixed capacity whether it is used or not.
- A mix of state-owned-privately-operated and privately-owned and operated accommodation centres.

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<sup>3</sup> The VFMPR Guidance Manual defines inputs as the resources used by a programme. For the purpose of this review it is the financial resources that are regarded as the primary input.

**Table 1: Breakdown of Centres by Type**

Type of Centre	No. of Centres June '09	Capacity June '09	% Capacity
Privately owned and operated	45	5,852	71%
State-owned-privately-operated	7	1,270	15%
Self-Catering – Privately owned and operated	6	617	8%
Reception Centres – Privately owned and operated	2	459	6%
<b>Total</b>	<b>60</b>	<b>8,198</b>	<b>100%</b>

To evaluate the efficiency question this chapter will examine:

1. If the chosen model is operating at maximum efficiency?
2. If an alternative procurement model could deliver DP more efficiently?

The Chapter is divided into the following sections:

- 4.2. Examines if the current model is operating at maximum efficiency.
- 4.3. Efficiency comparisons with two Alternative Procurement Models.
  - (i) Model A – Mix of fixed capacity and variable capacity contracts.
  - (ii) Model B – Relaxing the Dispersal Condition.
- 4.4. International and other Comparisons.
- 4.5 Efficiency Findings Summary.

## **4.2 Is the current Model operating at maximum efficiency?**

One advantage of contracting for capacity instead of use/occupancy is that by offering the supplier a guaranteed income the supplier can quote a cheaper daily rate. If the supplier is to be paid per person using the accommodation, the supplier will include a risk premium in the price and may not guarantee availability levels.

The gain from this model depends on:

- the ability to minimise the difference between the number of places contracted and the number required and
- whether the lowest possible daily rates have been secured having regard to standards and service level requirements

#### **4.2 (A) Is the difference between contracted capacity and number of places required minimised?**

The requirement for asylum seeker accommodation can be difficult to predict and this risk is borne by RIA. RIA's aim is to minimise the incidence and cost of this risk. Under the current model RIA aims to maintain a prudent but minimum level of excess capacity. To maintain this minimum level of excess capacity RIA needs the facility to increase capacity if required and to shed excess capacity at minimum cost.

The efficiency of this aspect of the current model depends on whether (i) the target excess capacity is the minimum required and (ii) how actual excess capacity compares with what would be regarded as a realistic target.

In answering this question the first task is to determine what would be regarded as a realistic level of excess capacity. There are a number of components that need to be factored into the calculation of a prudent level of excess capacity:

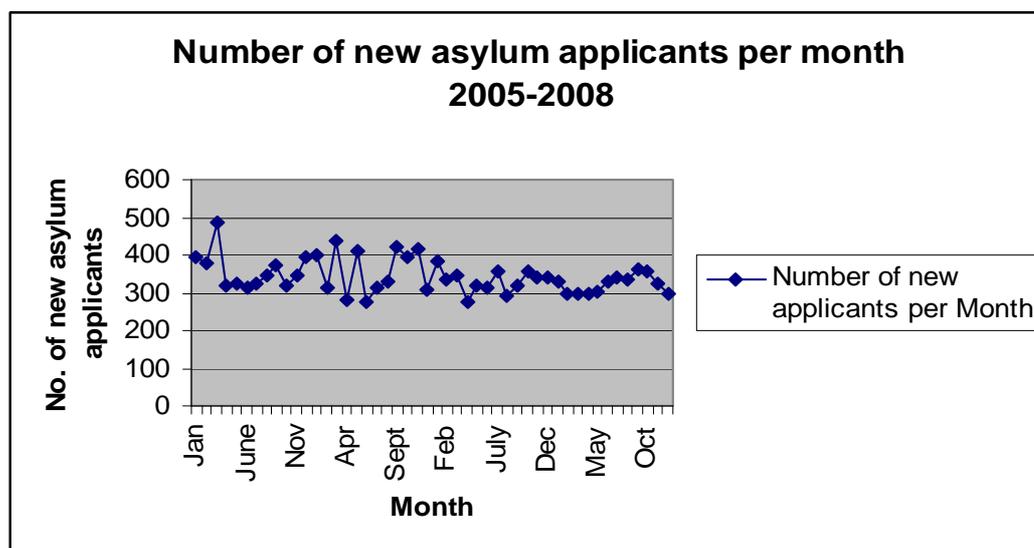
- **Volatility of Demand**
- **Sickness outbreaks**
- **Unusable Capacity**

(i) Allowance for volatility of demand?

The demand for RIA's accommodation service is a function of the numbers currently accommodated plus the numbers entering the system less the numbers exiting. If RIA can accurately predict the numbers entering and exiting the system, it has an accurate estimate of the accommodation required.

The chart below shows the number of new asylum applicants per month in the period 2005-2008. Since February 2007, the monthly number has varied between 277 and 360. The intake in the 2005-2008 period is much lower and more stable than the intake in the 2000-2002 period where monthly numbers varied between 677 and 1199.

**Figure 1: - New Asylum seekers per month**



At the end of June 2009, RIA accommodated nearly 7,000 asylum seekers but there were approximately 16,000 people in the asylum process. Asylum seekers are not obliged to use RIA facilities, but those that are in the asylum process and are not availing of RIA accommodation could potentially become clients of RIA. This happened in the 2004-5 period when a significant part of the increase in those seeking accommodation arose from asylum seekers already in the country, who had a child born in Ireland and who anticipated being allowed residence under the Irish Born Children (IBC) Scheme. This was a special situation and making provision for a similar significant increase in demand from asylum seekers that are currently not using RIA accommodation would need to be justified. In this regard it should be noted that in a ten month period, over 400 persons either never accommodated in, or who had left, RIA accommodation applied to be re-accommodated.

As a general rule 2/3 of new asylum applicants seek accommodation from RIA. This fraction and the trend in numbers of new asylum seekers is a fair predictor of the number of new clients for RIA accommodation. Notwithstanding this, the potential for variability of demand continues to exist and this capacity for sudden peaks in demand needs to be taken into account.

Those exiting the accommodation system may exit the system because a final decision has been made in respect of their application. RIA continues to accommodate protection applicants up to the point where they are either removed or granted leave to remain. Others may voluntarily leave the accommodation which may mean they have left the country but this is not necessarily the case. The complexity of the asylum process and the unpredictability of other departures mean that accurately forecasting the numbers that will leave the system is difficult, but a reasonable estimate should be possible.

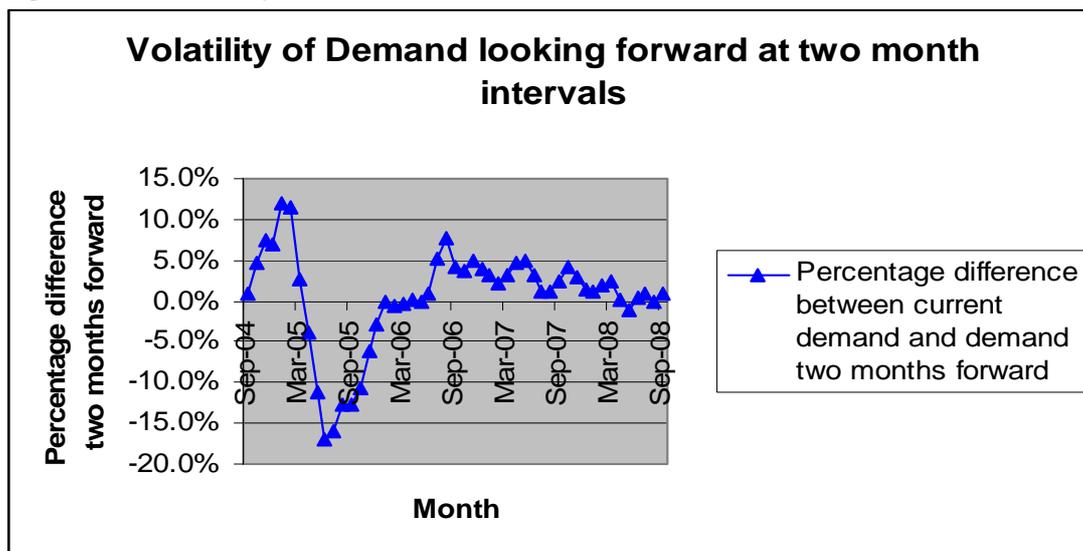
A suggested worst case scenario in any one month is that nobody leaves the accommodation system and that 80% of those applying for asylum need to be accommodated. Based on current numbers an excess capacity of less than 4.5%<sup>4</sup> should be a more than sufficient provision for net increases.

If circumstances change then this percentage can be adjusted. The introduction of new legislation which will simplify the asylum process may see more people exiting the asylum process at an earlier stage. If this is the case then the percentage excess capacity allowed for net increases, should be reduced, or eliminated if net decreases become the norm. The legislation will not be retrospective, therefore it will have no impact on those already in the asylum process.

Volatility of Demand in 2005-2008 period:

Retrospectively examining the volatility of demand is another way of looking at the provision that needs to be made for how unpredictable demand can be. One way to look at how much excess capacity is required to cope with volatility of demand is to look at how demand changes in the time period required to contract extra capacity. The graph below shows by how much demand two months forward exceeds (or is less than) current demand.

**Figure 2: - Volatility of Demand**



The two month forward percentage difference is taken as a good indicator of the percentage excess capacity required to cater for volatility in demand. Since January 2007 an excess capacity of 4.8% would have catered for the level of demand for the two months following, allowing RIA two months to contract for extra capacity. This is consistent with the percentage calculated above using the number of new entrants to the asylum process.

<sup>5</sup> The average number of new asylum seekers per month in 2007-8 was 328 (80% of which is 262). Adding another 50 per month for those that are already in the country and choose to seek accommodation equals 4.5% of the number accommodated.

## Sickness

A second reason why RIA need to maintain a cushion is that due to certain contagious illnesses, use of centres where an outbreak occurs may have to be restricted. If there is an outbreak of chickenpox then restrictions are in place for 28 days following the last recorded case. Infected centres do not accept pregnant women or women of child-bearing age and non-immune pregnant women have to be removed to alternative accommodation. This chickenpox protocol is a requirement of the HSE and is not within the control of RIA. Chickenpox outbreaks in 17 centres in 2008 were responsible for the loss of an average of 94 bed places per month. The highest loss of bed places (216) was recorded in August 2008 which was the equivalent of 2.6% of contracted capacity at that time.

## Unusable capacity

Thirty eight of the sixty centres accommodate families, two take couples and singles and the remaining (20) singles only. 47% of asylum seekers (3,268) are single adults or are part of an adult couple without children. There are 1,422 other adults which form 1,094 family units that have 2,227 children. The accommodation units available within each centre (single units, two bed, three bed etc.) and family units requiring accommodation will rarely match perfectly, leaving some unusable capacity i.e. if a three person family is in a four bed unit, then there is one unusable bed in that unit. Accommodation units may also be temporarily unavailable as they are in need of repair.

The supplier is obliged under the contract to “ensure maximisation of the capacity in each bedroom at all times”. This may require the transfer of residents to alternative bedrooms within the centre. While it can be argued that there is no incentive for the contractor to maximise capacity (as it makes no difference to the revenue generated from the contract and may increase their costs) it is RIA's responsibility to assign people to centres. This means that RIA controls the level of capacity used and monitors actual bed usage. In order to better secure their chances of contract renewal it is in the interest of the contractor to satisfy the contractual obligations to optimise capacity.

The end 2008 snapshot shows that across all the centres there were 346 bed spaces unavailable for “other” reasons. The majority of these spaces are unavailable because of the mismatch between the accommodation available and the configuration of the families using the accommodation. This represents 4.3% of capacity contracted. Sixteen Centres had zero spaces unavailable (five of these accommodate families). Nine centres recorded over 10% of their capacity as unavailable for “other” reasons. Four of the centres had unavailable capacity of 18%, 22%, 26% & 27% on top of normal vacancies.

An allowance under the current contract needs to be made for unusable capacity, but given the high levels of unusable capacity recorded by some centres, a percentage that would be regarded as efficient would have to be significantly less than the percentage recorded by the end-2008 snapshot. An allowance of an average of half of one per cent could be allowed for centres that cater for singles only to allow for repairs. An average of 3% for centres that accommodate families is suggested based on the

achievement of this percentage or less by 1/3 of the centres catering for families as recorded by the snapshot. This would give an overall allowance for unusable space of 2.6% of capacity.

What is an efficient excess capacity using the current model?

The prudent but minimum excess capacity that RIA should aim to achieve is not a constant percentage. It depends on the prevailing circumstances, whether the trend in overall demand is moving up or down and particularly the volatility of demand being experienced. Without adjusting the current procurement model, the maximum excess capacity in the current circumstances is calculated as follows:

From the figures calculated above, up to 5.2% of capacity may not be available for use based on:

- the loss of capacity due to illness in the peak month	2.6%
- the loss of capacity due to profile cost (unusable beds)	<u>2.6%</u>
	5.2%

The remainder of capacity is divided between occupied places and a percentage excess to cope with net increases or volatility in demand. Based on current usage levels the percentage to cater for volatility was calculated above as 4.8% (of occupancy). The overall excess capacity to cater for illness, profile cost and volatility of demand, at current usage levels is 9.5%<sup>5</sup>.

Breakdown of efficient use of Capacity at Current Usage levels using the current model:

Capacity lost due to Illness 2.6%
Capacity lost due to Profile 2.6%
Capacity required for Volatility 4.3% (= 4.8% of Occupancy)
Occupied 90.5%

Based on RIA's experience and the current more stable pattern of demand and the fact that all of the worst case scenarios are unlikely to coincide means that a reduced excess capacity target of less than 10% should be achievable under the current model. This is the level of excess capacity against which the efficiency of the implementation of the current model should be evaluated.

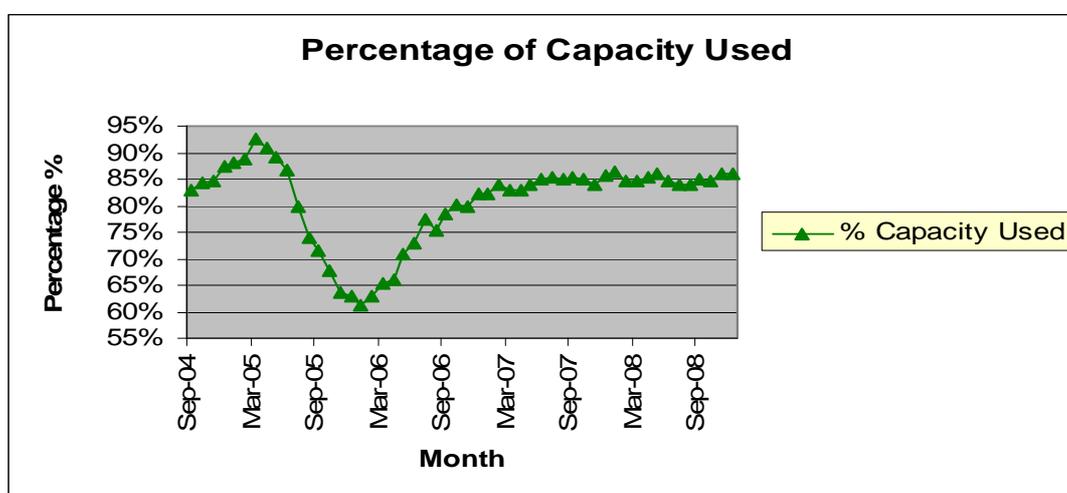
<sup>5</sup> Percentage lost due to specified illness and mismatches (profile) are calculated based on total capacity. The percentage capacity required to cope with volatility is calculated on occupancy. These two sets of percentages cannot be added together. The overall excess capacity of 9.5% is calculated as follows:

Occupied Capacity + 4.8% of Occupied Capacity	= Usable Capacity (94.8%)
104.8% of Occupied Capacity	= Usable Capacity (94.8%)
Occupied Capacity	= 90.5%
Unused or excess	= 9.5%

## How do actual excess capacity figures compare against this benchmark?

RIA currently aim to maintain a 15% cushion between contracted capacity and actual occupancy - as a contingency to cope with unexpected spikes in numbers of asylum seekers coming into the accommodation system, to allow for temporary or permanent closures of individual centres, to cater for mismatches between the accommodation units available and the size of family requiring accommodation, and to help RIA to react to medical emergencies causing restrictions to some of its capacity.

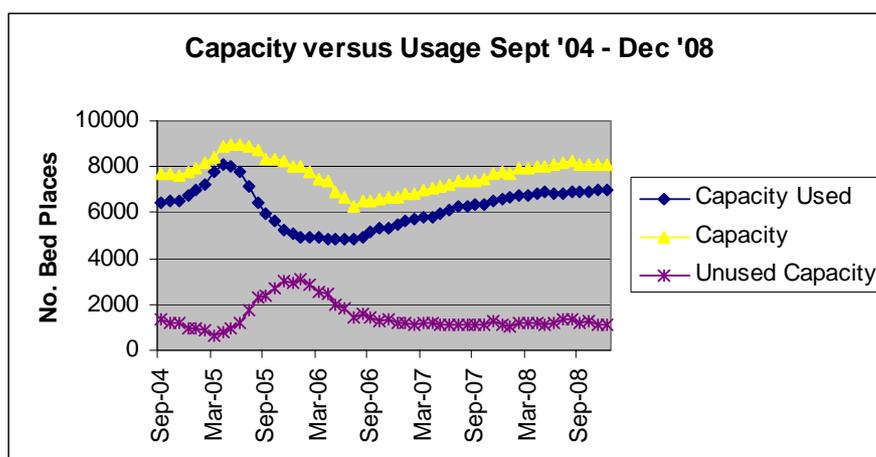
**Figure 3 – Percentage of Capacity Used**



As can be seen from the graph above, RIA (since June 2007 with a few exceptions) maintained a 15% cushion between maximum capacity and actual occupancy. This unused capacity hasn't fallen below 10% since early 2005 and for a period between August 2005 and September 2006, the percentage of unused capacity consistently exceeded 20% and reached 38.9% in January 2006.

The ability to reduce excess capacity depends on how the portfolio of contracts has been managed. The fourteen month period when excess capacity exceeded 20% and nearly reached 40% followed on from a period where demand rose and then fell sharply.

**Figure 4: - Capacity versus use**



The period between September 2004 and December 2005 saw the greatest volatility in demand for accommodation, which arose as a result of the IBC scheme. It rose by 26%, from 6,420 to 8,080 in the seven months to April 2005 before falling by 38% to 5,042 in the next eight months. The model used responded well to the increase in demand by contracting extra capacity but the use of this model also meant it was difficult to offload extra capacity when demand fell sharply.

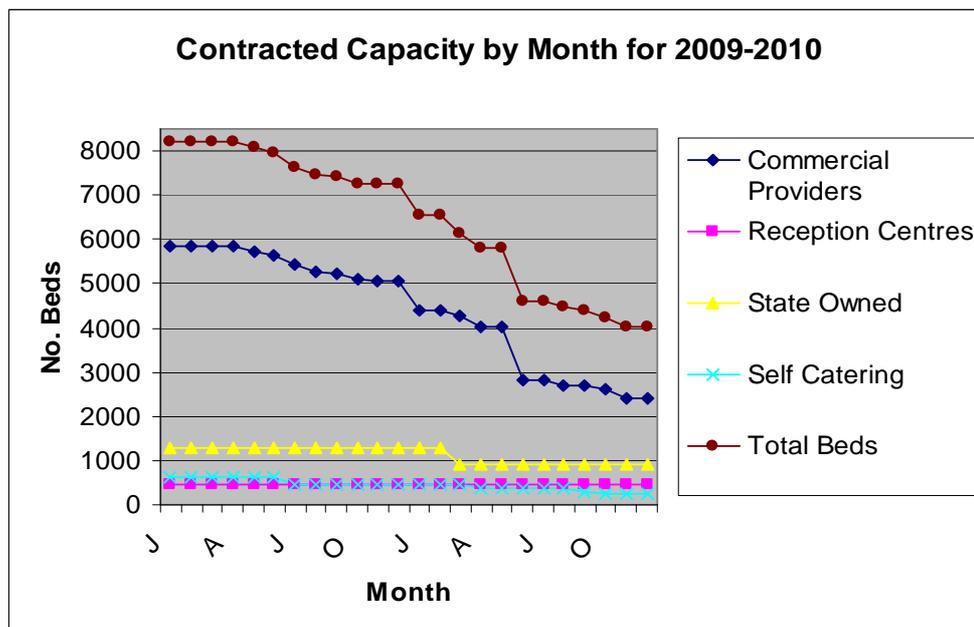
In a period of rapidly increasing demand, contracts were entered into for periods that would have seemed logical at the time, or which were of a sufficient duration to entice a supplier to provide the accommodation. These contract periods proved to be excessive when demand started to fall sharply after only seven months. Nine centres were opened in the first five months of 2005. This was followed by the closure of 14 centres in the last five months of 2005 and the closure of a net 15 centres in 2006. The restrictions of the model contributed to high levels of excess capacity which hit nearly 40% in January 2006. Apart from the duration of the contracts, it also proved difficult to shed capacity as there was resistance to the closure of some centres because centres were accommodating people who were accessing medical care locally, were sitting state exams or were settled in local schools and the local community.

The model itself was shown to be unsuitable for minimising costs when demand becomes unpredictable. The model is much more responsive to an increase in demand than to a decrease. It took 15 months (July 2005 to October 2006) to reduce capacity from the peak in 2005 back to a more normal 80% usage level. The average monthly occupancy in 2005 was 6,778 and this fell to an average of 5,026 in 2006, a fall of 26%, yet the reduction in cost outturn was only 6% (€84m to €79m). This demonstrates that the current model was not able to react with sufficient speed during that period of rapid change after having increased capacity levels significantly.

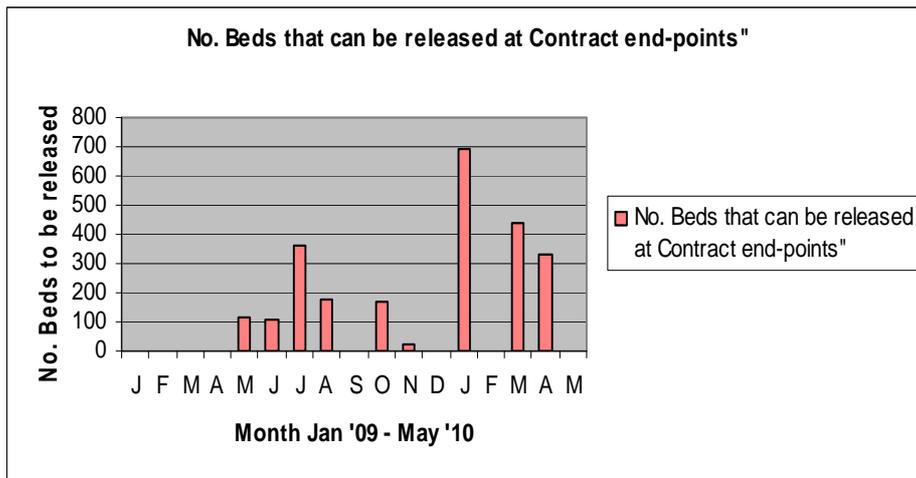
## Current options for reducing capacity

Figure 5 below shows how much capacity RIA has contracted forward by month for the years 2009-10. Contract periods vary. The average is c. 2.5 years, but a small number of contracts are for 3, 3.5 and 5.5 years. RIA manages their contracts so that the contract end-points are staggered and Figure 6 shows the opportunities that RIA has to shed capacity when contracts end.

**Figure 5: - Contracted Capacity by Month**



**Figure 6: - Beds that can be released at Contract end-points**



Between May '09 and May '10 RIA will have opportunities to end contracts that will reduce capacity by 2,407 or 30% of overall capacity. The largest fall in occupancy in any 12 months between 2005 and 2008 occurred between April '05 and March '06 when demand fell by 40%.

The April '05 - '06 period was however exceptional and RIA are currently managing their contract end-points in a way that gives them the scope to reduce capacity if demand falls. RIA are better equipped now to lower excess capacity than they were in mid-2005 but ideally they should have options to reduce capacity, through the termination of contracts, by a greater amount each month as apart from reducing capacity they want the choice of retaining the better performing contracts. Contract end-points should also be more evenly spread. Too high a portion of their options for reducing capacity occur in the one month of January 2010.

RIA also has the option in some of their contracts to terminate instantly by paying 3 months fees in compensation. More recent contracts give RIA the option to give three months notice without payment of any penalty. These options provide mechanisms to substantially and quickly reduce overall capacity in the event of a rapid structural change in demand, albeit at significant cost where a penalty is paid.

#### Individual contracts – Occupancy levels

Occupancy rates for the 45 commercially-owned centres with active contracts were examined to see if all centres were proportionately providing similar levels of outputs. The number of occupants, returned on four spot-dates per year in each of the four years 2005-2008, forms the basis of the occupancy percentages below.

**Table 2: Occupancy levels achieved by Commercial Centres 2005-8**

No. Centres	% Occupancy achieved 2005-2008	Size of Centres		Chicken-Pox outbreaks at time when figures taken	% Change in No. Centres per Category if restrict to 2007-8
6 <sup>6</sup>	< 63%	6 had Low <sup>7</sup> capacity	Bed Spaces: 15,19, 33, 34, 36,85	None	No Change
10	70%-79%	4 Low 3 Medium 3 High	Bed Spaces: 50,55,55,70 100, 110, 110 210, 223,300	Seven had C-pox on at least one of the 16 occasions	6 improve to 80s
21	80%-89%	10 Low 8 Medium 3 High	Bed Spaces: 28,40,58,65,67,85,86, 90,90,98 100,105,108, 116,120,125,168,180 200,250, 800	Twelve had C-pox on at least one of the 16 occasions	1 drops to 70s 3 improve to 90s
8	90% +	2 Low 2 Medium 4 High	Bed Spaces: 23,25 100,148 235,250, 280,315	Three had C-pox on at least one of the 16 occasions	1 drops to 80s

If the analysis was restricted to the 2007-8 period, i.e. removing the more turbulent period in terms of demand some positive movement between occupancy bands is noted but overall the centres in the four categories are largely the same (See right-most column of table above). There was little or no movement between the centres with low occupancy and high occupancy.

Looking at the occupancy rates for other accommodation types (Table 3 below) there is also a variation in occupancy levels. State-owned centres overall had lower occupancy rates than commercial centres but the variation between the highest occupancy and lowest occupancy centres was not as extreme. Self-Catering and Reception centres had lower occupancy levels.

<sup>6</sup> These 6 centres accommodate atypical residents, some have specific medical requirements, some are awaiting to return home and some are being temporarily accommodated in Dublin

<sup>7</sup> Low <100, Medium 100-200, High >200

**Table 3: - Occupancy Rates – All Centre Types**

<b>Accommodation Type</b>	<b>Occupancy rate '05-'08</b>	<b>Range of Occupancy Rates '05-'08</b>	<b>Occupancy Rate '07-'08</b>	<b>Range of Occupancy Rates '07-'08</b>
Commercial	83%	See table above	87.5%	See table above
State-Owned	78%	75%-94%	90.5%	86%-96%
Self-Catering	70%	61%-78%	73%	57%-80%
Reception	66%	62%-67%	69%	56%-73%

The capacity of the centre did not have a significant influence on occupancy rates except that the lower occupancy centres tended to be smaller, but small centres were also able to achieve high occupancy rates.

Reasons for variations in occupancy levels:

There are a number of possible reasons why different centres may have different occupancy levels and different reasons could apply to individual centres. Centres have unusable space as discussed above because rooms are in need of repair or because of mismatches between family sizes and available accommodation or due to other exceptional needs. These factors would be common to all centres but would be a bigger factor for centres that accommodate families. Four of the six centres with the lower occupancy levels accommodate singles only.

If a centre is closed for a period then the numbers in that centre will be reduced as it approaches its closing date and this could influence the occupancy level. This situation arose in the case of one of the six that had a low occupancy but this reason on its own would not account for the overall low occupancy. Sickness outbreaks would also explain low occupancy levels but the six lower occupancy centres did not have any sickness recorded on the days that the occupancy numbers were recorded.

To deliver an effective service RIA has to carry a certain level of spare capacity. If there is in-built spare capacity then there will be empty spaces in centres. The distribution of the spare places will depend on departures from individual centres and assignments of new people by RIA. RIA can choose how it spreads its spare capacity. It can spread it evenly so that each centre has approximately 15% empty or it can choose to concentrate some of the spare places in individual centres. It is RIA's decisions on allocations that are the primary determinant of occupancy levels in individual centres. Concentrating empty spaces in individual centres rather than spreading them evenly offers operational flexibility and this is a factor in allocation decisions. Low occupancy does confer a financial advantage on the operator of such a centre as their variable costs would be lower. RIA could utilise this to generate economies by negotiating a cheaper rate with centres/bedspaces designated as "last to fill" or "overflow capacity" or "atypical occupancy" where uneven distribution of spare capacity is consistent with its operational requirements. Experience shows that the most efficient way to manage the "flexible band" of accommodation demand

above standard demand is to spread excess capacity across a number of centres rather than operating a dormant centre or centres.

The final possible reason for lower occupancy levels is that the individual centre itself is underperforming (in respect of inefficient allocation of rooms) and cannot meet its commitments although, as noted in the footnote to Table 2, the six lower occupancy centres accommodate atypical residents. The six lower occupancy centres are all small and combined only have a capacity of 222. The ten centres with occupancy between 70-79% have a combined capacity of 1,283.

The cost of bed nights used is calculated to compare the performance of different centres in terms of both the rate they charge and the occupancy levels achieved. If the rates and occupancy levels for the sixteen lower occupancy centres are combined, a *rate per bed night used* of €43.86<sup>8</sup> applies. The equivalent rate for the eight centres with high occupancy is €32.88 and the overall average for all centres is €37.78, which includes the cost of unused beds.

#### 4.2 (B) Are daily rates as low as possible?

The daily rate has a significant bearing on the overall cost of accommodation provided. The average capacity of a commercial accommodation unit is 130. Every additional €1 on the daily rate means nearly €50k per annum on an average commercial contract. For an overall capacity of over 8,000 places, €1 on the daily rate equates to nearly €3m per annum.

For illustration purposes some cost figures for three large centres are set out in Box 1:

Box 1:

These three commercial centres provide full board accommodation and some other services as set out in the standard description of services for residents. The contract is for capacity so the daily rate is paid regardless of whether the available bed is used or not.

<u>Location:</u>	<u>Capacity:</u>	<u>Daily Rate:</u>	<u>Annual Cost:</u>	<u>Occupancy:</u>
Munster	245	€29	€2.6m	76.1%
Connaught	250	€32	€2.9m	82.2%
Dublin	250	€36.50	€3.3m	91.3%

<sup>8</sup> Sum of [Total Capacity on 16 snapshot dates \* daily rate] divided by Sum of occupancy figures for each category of occupancy performance

The question of whether the lowest possible daily rate is being achieved is examined under the following headings:

- I. Variations in rates paid.
- II. Analysis of variations in rates paid.
- III. Is the right mix of State-owned and Privately owned Centres used.
- IV. Competition/Procurement Issues.
- V. Comparisons with inflation rate.
- VI. % increase on contract renewal.
- VII. Prices secured on contracts already agreed.

(i) Variation in Rates paid

RIA use four different categories of accommodation centre:

- Commercially owned and operated (45)
- Reception Centres (2)
- State-owned privately operated (7)
- Self-Catering privately operated (6)

### **Commercially owned and operated:**

The average daily rate for the 45 commercially owned centres is €30.59. When this rate is weighted by the capacity of the centres the average is €31.41<sup>9</sup>. The daily rates range from €25 to €39 per day. The individual rates charged by the 45 centres breakdown as follows:

- 15 have a daily rate under €30
- 13 have a daily rate of €30
- 14 are between €31 and €34
- 3 are over €35

Excluding the cheapest and dearest of the 45 centres in this category, the rates still vary by up to €8.50 per day. This is a significant differential which equates to €3,100 per person per year.

### **Reception Centres:**

The average daily rate for the 2 reception centres is €38.41. When this rate is weighted by the capacity of the centres the average is €40.48. Reception Centres play a particular role in the asylum process. There are only two reception centres and both are in Dublin.

### **State Owned:**

The state owns seven facilities and it contracts their operation to private operators. The average daily rate for the 7 commercially owned centres is €21.71. When this rate is weighted by the capacity of the centres the average is €19.19. These daily rates have to be adjusted upwards to account for additional costs and this adjustment is set out under (iii) below.

There are four centres in Kerry, one in Cork, one in Clare and the other is in Westmeath. Three contractors operate the seven centres – one has two contracts for the four centres in Kerry, one has the centres in Cork and in Clare and the third contractor operates the Athlone Centre. The operation of the state owned centres is put out to open tender and is advertised in the EU's official journal (OJEU).

There is a wide discrepancy in rates, the cheapest being less than half that of the most expensive and the most expensive would be well up the scale of commercially provided centres. Excluding the cheapest as special circumstances apply and the most expensive there is still a wide variation in price. Of the remaining five the dearest is €6.55 per day or 37.5% more expensive than the cheapest.

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<sup>9</sup> Each centre's capacity is multiplied by its rate. These figures are summed and divided by the total capacity to get the weighted rate. i.e. Centre 1 200\* €40 = €8,000 Centre 2 100\*€30 = €3,000. Weighted rate = €11,000/300 = €36.66

### **Self-Catering:**

There are six self-catering centres and the differential between the cheapest and dearest is nearly € per day. Excluding the cheapest, the remaining capacity is within a range of €2.50 per day, a significant 12.5% difference.

The average daily rate for the 6 self-catering centres is €21.31. When this rate is weighted by the capacity of the centres the average is €21.56. The additional social welfare costs of self-catering is considered in Chapter 5.

#### (ii) Analysis of variation in rates

This analysis of the variation in rates looks separately at commercial, reception and state-owned.

### **Commercial Centres:**

The following factors were examined to see if a correlation existed between any of these factors and the different daily rates for commercial centres:

- whether the centre caters for singles-only or families
- the location of the centre
- the capacity of the centre
- the length of the contract and
- the year the contract was signed

It was expected that the capacity of the centre would have a bearing on the daily rate, due to economies of scale, but it was found that centres with a large capacity were as likely to have higher rates as smaller centres. The best indicator of price was found to be the location of the centre. Other possible reasons listed above show little relationship to the different rates.

There are 17 centres in Munster and 15 have rates of less than €30 per day. There are 10 centres in Dublin and 6 have a rate of €33 or more. Leinster and the West/North-West are consistently in the mid-range. The average rate in Munster weighted by capacity is €29.07 while the equivalent in Dublin is €35.13. A positive VFM observation is that 32% of commercially contracted capacity is in the Munster region as opposed to 14% in Dublin.

### **Reception Centres:**

The daily rate at the two reception centres is higher than average. One has a daily rate of over €40. The other has a rate of €35 which is at the top end of the rates charged by commercial centres. Reception Centres play a specific role. Medical assessments are conducted and transport to preliminary interviews is provided. These centres have very high turnover as new entrants only remain there for two weeks before being transferred to a more permanent centre. The difference in rate is because the dearer one is a purpose built centre with superior facilities and the other is a former convent with basic facilities.

### **State Owned:**

Although seven centres is a relatively small number from which to draw a conclusion there is a definite relationship between the daily rate and the capacity of the centre. The larger the centre the cheaper is the rate. The centres with a capacity of 275 or over have a daily rate of less than €20.

### **Self-Catering:**

It is difficult to draw any firm conclusions about the variation in rates for six centres but the three most expensive rates were agreed in 2008 whereas two of the remainder were agreed in 2007.

### (iii) Comparison of state-owned and privately-owned centres

RIA uses a mix of state-owned (15% of capacity) and privately-owned facilities. All facilities are privately operated. This section examines the cost difference between state-owned and privately-owned centres. The examination of self-catering as an option is considered in detail in Chapter 5.

The real current cost of the state-owned centres is not fully reflected in the daily rates paid to contractors for operating them as RIA pays separately for the cost of utilities, maintenance, linen, laundry etc. An adjustment has to be made to these figures to allow a proper comparison to be made with the commercially owned and operated centres where all the costs of full-board accommodation are covered by the daily rate.

An analysis of the additional costs over the four year period 2005-2008 shows that an additional €3.89 - €5.75<sup>10</sup> per centre has to be added to the daily rate for state-owned centres to account for additional current costs that are paid for by RIA. Adding the additional costs to the contractor's daily rates means that 6 of the 7 state owned centres have a daily rate of less than €30 and five of the seven are less than €25. The current costs of state-owned centres therefore compares very favourably with the costs of commercial contracts even taking account of their location. One centre does have a very high daily rate and unless there are other reasons for using that centre then substituting capacity from the commercial sector would be cheaper

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<sup>10</sup> Amounts expended by the OPW were apportioned across the state-owned centres in proportion to the other additional costs directly attributable to individual centres.

**Table 4: State –Owned Centres – Full Costs**

Centre	Contracted Daily Rate	Daily amount for additional costs <sup>11</sup>	Total Current Cost	Estimated Daily amount to cover purchase and development <sup>12</sup>	Estimated Total-Cost Daily Rate
1	€18.83	€5.48	€24.31	€5.88	<b>€30.19</b>
2	€17.46	€5.71	€23.17	€6.56	<b>€29.73</b>
3	€20.27	€4.35	€24.62	€5.59	<b>€30.21</b>
4	€24.01	€5.75	€29.76	€4.57	<b>€34.33</b>
5	€34.01	€4.80	€38.81	€7.19	<b>€46.00</b>
6	€20.84	€3.89	€24.73	€4.03	<b>€28.76</b>
7	€16.52	€4.30	€20.82	€5.93	<b>€26.75</b>

Given that the investment has already been made, the decision on whether to continue to use state-owned centres is based mainly on whether the current costs are better than the daily rates offered by the commercial centres. Other factors that would enter the equation would be the possible sale price of the centre and what strategic value is placed on the state owning and therefore having greater control over 15% of the accommodation capacity. Most of the state-owned centres should be retained based on their current daily rates but their retention should be kept under constant review.

The rightmost column of Table 4 gives an indication of the total cost of state owned centres including the capital investment. This assumes a useful life of 20 years for six of the centres and 10 years for one. These *total cost daily rates* are pushing very close to the median commercial rate (€30) and above it in some cases. Alternatively one could look at the net present value of the potential current cost savings from state-owned centres. There is an approximate saving of €6 per day on the current costs of state-owned centres when compared to commercial centres. The net present value of this stream of savings over a 20 year period for a 300 bed unit at a discount rate of 4.845% (the discount rate advised by the NDFA for Q4 2009) is just under €3.3m<sup>13</sup>.

<sup>11</sup> This is a four year average daily cost.

<sup>12</sup> For existing accommodation centres that were purchased the Daily Rate is calculated by taking 80% (20% allowed as a residual value) of the purchase price spread over 20 years and converted, based on the capacity of the centre, to a daily rate. For sites (purchased or state-owned) that were developed a notional land value is used as the residual value and the remainder is converted to a daily rate based on capacity over a 20 year period. A 10 year period was used for the Athlone mobile home accommodation centre. A finance cost of 4.845% is used (the discount rate as advised by the NDFA for Q4 2009 and published on www.finance.gov.ie).

<sup>13</sup> The daily rate for accommodation provided by commercial suppliers has not tracked inflation in the last decade. It would be difficult to predict what the gap between commercial centre rates and state-owned centre rates (incl. overheads) will be over the next 20 years. If one assumed that the €6 difference was to increase with inflation (at 2%) then the NPV of a 20 year stream of savings would be just under €9.8m.

When the costs of purchasing or building centres of this size are examined there is no clear case for additional investment in state-owned centres. These savings assume a 20 year use and a consistent gap of € on daily rates. If a shorter time period and a smaller rate differential were used, the costs of purchasing or developing a state-owned centre would have to fall substantially to justify the investment.

Unless the cost of purchasing or developing state-owned centres has fallen, or the costs of commercial centres begins to rise substantially, there does not seem to be an economic case at this time for expanding the number of state-owned centres. While there may be strategic reasons for having 15% of accommodation centres in state-ownership, any case for expanding this percentage has to be balanced against the reduction in scope to downsize (in the event of significant fall-off in numbers).

#### (iv) Competition and Procurement Issues

As outlined above there are significant variations in daily rates and there is a link between the level of rate and the location of the centre. The regional variation in daily rates can only be partly explained by higher costs in different regions, although the impact of the property market over the past 10 years or so has influenced the rates applying on a number of contracts.

A lack of competition in the market could be contributing to the variation in rates. Three factors examined here could be causing this lack of competition:

- a) Dispersal Policy
- b) Number of Suppliers
- c) Procurement Practices

(a) RIA is obliged to disperse asylum seekers evenly around the country. This policy is partly dictated by the need to ensure that an undue burden is not placed on local education and medical services and also to reduce local resistance to accommodation centres. If a minimum percentage of asylum seekers have to be placed in an area, this artificially restricts the number of suppliers that can compete. Instead of one national market, the dispersal policy creates numerous smaller markets which are less competitive.

(b) There are a limited number of suppliers of asylum accommodation services. Five suppliers provide more than four centres each and collectively they provide 27 of the 45 commercial centres and 54% of the capacity in this category. Two of this five are in the Munster region, one in the West, one in the South-East and one in Dublin. This illustrates the point that there are a series of mini-markets rather than a national market.

The nature of this business means that if a potential supplier has not succeeded in securing a contract and if another opportunity to tender is not imminent, then there is little incentive to acquire, maintain and retain premises that could be used for the accommodation of asylum seekers. Twenty nine centres were closed in 2005/6. Many of these centres were run by suppliers that have one or more current contracts with RIA. This would suggest that the market has extra capacity to offer which should

make for a competitive market. In addition, there is now a significant oversupply in the general accommodation market.

(c) RIA use fully open EU-wide tendering for the operation of its seven state-owned centres. For other accommodation, RIA negotiates with existing contractors. It advertises for expressions of interest from providers of accommodation anywhere in the State on a yearly basis. An examination of 44 current contracts shows that only three were not contract renewals. The average length of a contract is currently 2.5 years and many of the contracts are on their 4<sup>th</sup> or 5<sup>th</sup> renewal. The number of contracts renewed suggests that insufficient capacity is being offered to the market and that this is restricting competition.

The nature of the service purchased by RIA, and the associated constraints and issues that arise when procuring accommodation, has restricted RIA's procurement practices. The reasons that fully open tendering has not been used for the commercial centres include:

- The unpredictable nature of demand has meant that new accommodation is contracted on an incremental basis. RIA has a staggered portfolio of contracts maturing in different months over the next 2-3 years.
- RIA are required, as far as is possible, to disperse asylum accommodation evenly throughout the country.
- There is often local opposition to the establishment of a new asylum seeker centre in a locality and local opposition has succeeded in preventing the opening of what were otherwise suitable centres.
- Children of asylum seekers of school-going age are settled in local schools. Apart from the disruption that would be caused to the children involved, there is no guarantee that there would be school places available for those children in another location.
- Apart from education, a new asylum centre puts pressure on other local services including health services. RIA has to satisfy itself that the services in the local area will not be overwhelmed by a new centre.
- There are costs involved with moving people between centres. The capacity used in the centre that will close declines as its closing date approaches which results in the cost of unused capacity. There can also be resistance to the closure of a centre, both from the asylum seekers and from local residents.

There are so many factors outside of the control of the party tendering that it can be difficult to set award criteria for the tender evaluation process. The accommodation and services offered could be ideal and the price could be competitive but the proposal would not rank highly because the local circumstances are not right.

(v) Comparisons with Inflation Rate

In 2005 RIA were paying 85% of commercial centres an average rate of €27 pppd outside Dublin and Galway and €29.70 pppd for Dublin and Galway. An average increase of €1 was applied in 2006 which equated to 3.57%. This was the first increase in the rate since January 2003. The cumulative CPI inflation rate for 2003-2005 incl. was 8.4%.

In 2007, the increase in the average rate paid was €2.65 or an 8.6% increase on 2006 which was approximately double the rate of inflation at that time. The reasons given for this increase were a combination of the 11.5% increase in the minimum wage in 2007 and the non increase in rates in the 2003-2005 period. The increase in the average rate in 2008 was 0.61% or €0.19.

RIA paid a lower average rate in 2007 (€30.65) than it paid in 2000 (€31.18), and while one would expect suppliers to improve their efficiency, the inflation rate for the same period was 37%. RIA has performed well on internal comparison over that period in managing average rates downward and has also performed well against the CPI index.

(vi) Percentage increases on latest contract renewal

The percentage increases in rates agreed at contract renewal were examined.

**Table 5: - Increases in Rates at Contract renewal**

	No.	Dublin	Munster	Leinster	West/ NWest	Year of Renewal
<b>Reduction</b>	3	1	2			1 in 2008 2 in 2009
<b>No change</b>	13	3	5	1	4	1 in 2006 2 in 2007 5 in 2008 5 in 2009
<b>+ 0-5%</b>	12	4	4	3	1	3 in 2007 9 in 2008
<b>+ 5-10%</b>	12	4	3	1	4	2 in 2007 5 in 2008 5 in 2009
<b>+ &gt; 10%</b>	4	1	1	2	0	2 in 2007 2 in 2008

Note: These figures relate to contracts signed up to the end of April 2009.

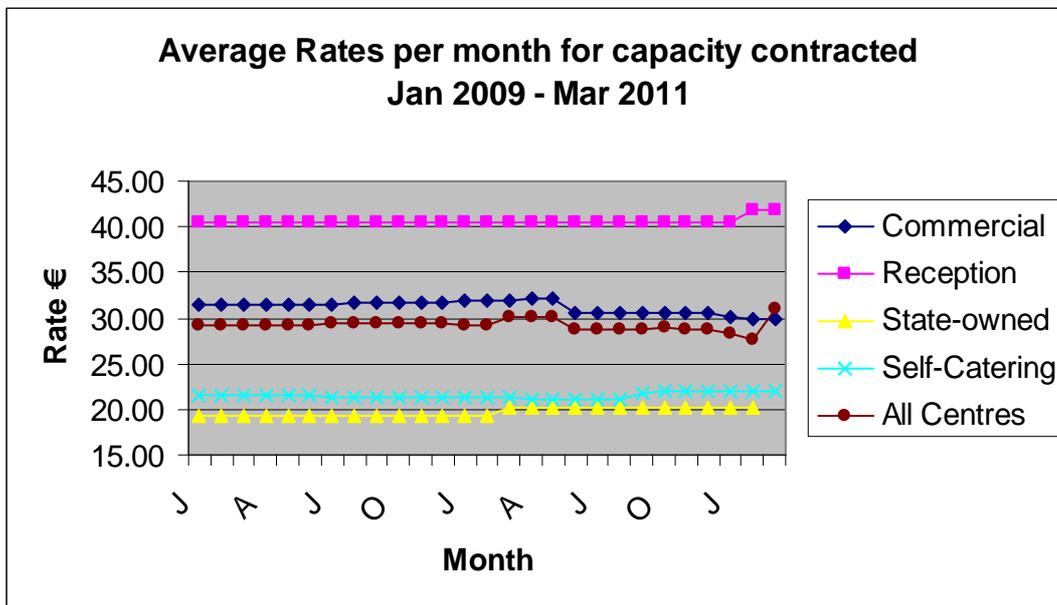
28 of these 44 contract renewals had their rate reduced, had no change or got an increase of less than 5%. This represents a positive result given the length of contract and the fact that annual inflation rates in 2007-8 were over 4%. However the number of contracts (16) that secured increases of greater than 5% appears too high, especially as five of those contracts were agreed in 2009 when inflation had turned to deflation.

(vii) Prices secured on contracts already agreed

RIA buys forward by contracting for periods of 1 to 6 years. Given the contract periods, decisions made in 2008/9 will have a significant bearing on the cost of Direct Provision in the next 2-3 years. RIA can drive down the average rates by contracting as much as possible at the cheaper rates available. The chart below shows the average rate to the end of 2011 of all capacity purchased forward (as at mid-June 2009).

This chart shows that average rate, to be paid in each month, for commercial contracts signed to date, will rise from €31.50 (June '09) to €32.07 (April '10) before falling to €28.58 at the end of 2011. The volumes contracted for 2011 at this stage are quite small declining from below 1,500 to less than 500 places. However decisions taken to date will help to lower the average rates for this type of contract.

**Figure 7: – Average monthly rates contracted to 2011**



### **4.3. Efficiency comparisons with two Alternative Procurement Models**

This section looks at alternatives to the current model to see if the model used by RIA is the best choice to achieve an efficient result. The examination of the two alternatives each isolates the possible effect of one of the parameters of the current model leaving everything else the same. A possible cumulative effect of changing both parameters is commented on in the Findings section.

The first alternative examines what might happen if there was a change from contracts for capacity to some mix of *contracts for capacity* and *contracts for availability and occupancy*. There is no obligation to use only contracts for capacity.

The second alternative examines what might happen if the dispersal condition was relaxed. Currently RIA are mandated by Government to disperse asylum seekers evenly around the country. Even if the dispersal condition was relaxed, RIA would still have to take account of the pressures that might be placed locally on educational and medical services etc.

## **Model A – Mix of Contracts for Capacity and Contracts for Availability and Occupancy**

There has been a core requirement for a minimum of 4,800 places since January 2005 and occupancy has been 6,100 or more since June 2007. Demand has risen most months between June 2007 and December 2008 but there was a net decline for three of the months in that period. Under the current model, RIA cope with variability by maintaining a cushion of excess capacity that is paid for at the same rate as capacity that is occupied.

Instead of all contracts being "*contracts for capacity*", RIA could choose a model where they contract for a fixed amount and a variable amount. There are variants on this alternative. All contracts could have a fixed and variable element or some contracts could remain contracts for capacity and other contracts could be paid for availability and occupancy.

This section examines the variant where RIA would have a mix of (i) *contracts for capacity* and (ii) *contracts for availability and occupancy*<sup>14</sup> to see if this model is potentially more efficient than the current model. As at present, RIA would have to decide on an ongoing basis what level of capacity it should be contracting and additionally what combination of fixed and variable capacity it should have.

What mix of contracts should be used?

As stated previously, RIA are likely to get a better daily rate when they offer a *contract for capacity*. This type of contract should therefore be used to the maximum extent possible to cater for the medium to long term expected demand. The aim would be to try to accommodate everybody in a centre that has a "*contract for capacity*", while having a small amount of flexible capacity available to cope with unexpected spikes in demand. The aim would be to minimise the use of the flexible capacity as it is likely to be more expensive.

The previous section of this chapter looked at the reasons why RIA need excess capacity and the three main reasons were volatility of demand, unavailability due to sickness and unavailability due to family configuration. Under the fixed/variable model there would be no need to hold excess capacity for volatility of demand as this would be catered for by the release valve of the variable contracts. It may not be realistic to use variable capacity to cater for normal levels of sickness or for accommodation that is unavailable due to family configuration or is in need of repair. (It would be preferable if the contractor had to carry their own excess capacity to cope with family configurations and repair so that if RIA assigns the contracted capacity, then the contractor has to accommodate the contracted number. This is an amendment to contracts that RIA may be able to include over time.) It is assumed therefore, for comparison purposes, that RIA would still aim to have *contracts for capacity* that would cater for the current level of demand plus a 4% excess to cope with sickness and family configuration.

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<sup>14</sup> Any references to these two types of contract should be read as including the possibility that a provider could have two contracts, one of each type, on a single accommodation centre e.g. a centre with a capacity of 100 could have a contract for capacity on 80 places and a contract for availability and occupancy on the remaining 20 places.

If RIA were operating this model in 2008, it would have contracted on average 925 beds less than it did which at the minimum daily rate would equate to a gross saving of €9.5m. However, to cope with volatility of demand RIA would have to have a number of flexible contracts in place, the cost of which would have to come from these savings.

It is envisaged that the flexible contracts would have a charge per place that the contractor undertakes to keep available. This charge might cover their fixed costs and allow them some profit even if the place was never used. The contractor would quote a second daily rate for places that were occupied. It is suggested that, for illustrative purposes, contractors would be willing to keep a place available for approximately half of the current average rate (€15) and that they would charge 1.5 times the current average (€45 or a net €30 extra) if the place was used. If RIA in 2008 were to contract for the availability of 925 beds (which would mean that they would have the same excess capacity available as they have under the current model) and if they were to use 20% of this variable capacity then the cost of the variable contracts would be €7.1m. Based on this illustrative example and on its assumptions, there would be a projected saving of €2.4m by having a combination of contract types while having the same level of excess capacity available.

Using these figures, RIA would have to use more than 44% of the variable capacity to make this model more expensive than the current model. If demand was increasing at that rate, then RIA should be adding extra *contracts for capacity* to meet the aim of accommodating as many as possible of medium to long term demand in centres that had the lower rates offered by *contracts for capacity*.

The rates used above are conservative estimates of what might be quoted for availability and occupancy. It is expected that much better rates would be quoted in a competitive situation. Under this model, RIA would be asking for tenders quoting for *capacity only* and quoting for *availability and occupancy*. The majority of contracts would remain *contracts for capacity* and RIA would be in a position to judge whether the rates quoted for *availability and occupancy* were attractive enough compared with the rates for *capacity only*.

## **Model B – Less Dispersed Centres – Contracts for Capacity**

RIA are obliged to accommodate asylum seekers evenly throughout the country to avoid concentrations of asylum seekers and to reduce pressure on local educational and medical services etc. This section examines what might happen if the general dispersal condition was lifted. RIA would still have to ensure that they were not placing an undue burden on local services. The dispersal condition is the only parameter that is varied here. Any conclusions assume that it is contracts for capacity that are used.

It would be unrealistic to expect RIA to precisely match the percentage of asylum seekers with the corresponding percentage of the population. RIA have succeeded in sourcing suitable accommodation in 22 counties and, as can be seen from the table below, they have succeeded in spreading their capacity pretty evenly throughout the regions.

**Table 6: Regional Spread of RIA accommodation**

	<b>% Population</b>	<b>% RIA Capacity – (all centre types)</b>	<b>Average Daily Rates<sup>15</sup> – Commercial Centres only</b>
Munster	27.7%	35%	€29.07
Leinster (except Dublin)	26.1%	23.9%	€2.96*
Connaught	11.9%	20.3%	€1.32
Ulster	6.3%	3.5%	€9.61
Dublin	28%	17.2%	€5.13

\* If one supplier is taken out of the Leinster calculation the average Leinster rate drops to €29.65

The dispersal condition divides the country into a set of smaller markets i.e. each area has to accommodate some minimum proportion of the asylum population. This is likely to restrict competition as it lessens the likelihood of a more competitive supplier in one region being able to increase his share of the market, given that suppliers have to date tended not to set up centres outside their own region.

As a general rule, regions accommodating a little more than their population percentage are offering more competitive rates, reflecting RIA’s pursuit of better value. The two scenarios below are put forward as an effort to calculate what additional savings might be possible if the dispersal conditions were relaxed. It is assumed that RIA could source more capacity from commercial providers in the regions offering the cheaper daily rates.

**Scenario: 1**

*The percentage capacity in any of the five regions could not exceed the percentage of population in that region by more than 15% and that no region would carry less than half its percentage of population.*

This would allow RIA to move more capacity from the more expensive to the less expensive regions. Given current capacity of 8,198 the following volumes of capacity could be moved from their current region into less expensive regions yielding a prospective annual saving of €2.3m.

<sup>15</sup> These rates are weighted by capacity of the individual contracts

**Table 7: Accommodation Capacity that could be moved to another Region**

	Possible shifts in volumes between regions	Potential Annual Saving
Dublin to Munster	264	€583,941.60
Leinster to Munster	369	€523,924.65
Leinster to Ulster	527	€644,389.25
Connaught to Ulster	929	€79,835.35
Total		€2,332,090.85

Scenario 2:

*The percentage capacity in any of the five regions could not exceed the percentage of population in that region by more than 15% and there is no minimum percentage in any region except Dublin, which would have to retain its reception centre capacity of 459.*

**Table 8: Accommodation Capacity that could be moved to another Region**

	Possible shifts in volumes between regions	Potential Annual Saving
Dublin to Munster	633	€1,400,132.70
Dublin to Ulster	320	€644,736.00
Leinster to Ulster	1136	€1,389,044.00
Leinster to Connaught	506	€302,891.60
Total		€3,736,804.30

This scenario is probably not as realistic as, unless rates in Dublin and Leinster were to drop, Dublin would only have its reception centres and Leinster would only be accommodating a little over 300.

These calculations have been made using assumptions about the ability to contract extra supply using average rates in the region. The potential savings from a relaxation of the dispersal policy are therefore indicative only. In practice, RIA, if it had the flexibility, would close the most expensive centres first. The first centres to be closed would not all be in Dublin. The first few might be in Dublin or Leinster but the next most expensive could be in Munster or Connaught and the next few in Dublin etc.

It can also be argued that moving capacity from regions that are currently more expensive to less expensive regions will push up the price in the less expensive regions. This may happen to some degree, but the suppliers in the more expensive regions are also likely to become more competitive as they will not want to see their business go elsewhere. It is likely that there would be overall gains from a larger and more competitive market to add to the gains forecast in the calculations for the two scenarios above.

One possible downside to a relaxation of the dispersal condition is that more asylum seekers will be accommodated outside of the Dublin area and therefore transport costs to and from interviews in Dublin will increase. These transport costs are currently covered by the Community Welfare Officer and would appear in another Department's budget.

Scenario 1 would see 264 people moving out of Dublin and an additional 896 people moving to locations which are further from Dublin than their current accommodation centres. The corresponding figures for Scenario 2 would be 953 and 1,642 respectively.

## 4.4. International and Domestic Comparisons

### 4.4.1 International Comparisons

The reception systems for asylum seekers internationally range from those which allow asylum seekers to work and to source and pay for their own accommodation and food, to those more akin to the Irish system of direct provision. None is entirely identical to the Irish system and so any comparison must be qualified.

Information on the costs of accommodation, providing meals and other essentials was sought from the 16 other IGC<sup>16</sup> member states. The figures received are, in some cases, estimated, and it is not known to what extent, if any, overheads are included. The comparable figure for RIA accommodation is based on the average cost per person per day in 2008. It should be borne in mind that, as most RIA accommodation is outsourced, this figure largely reflects the full capital costs, overheads, staff and management costs. While comparisons can be drawn from the figures received, they are of limited validity.

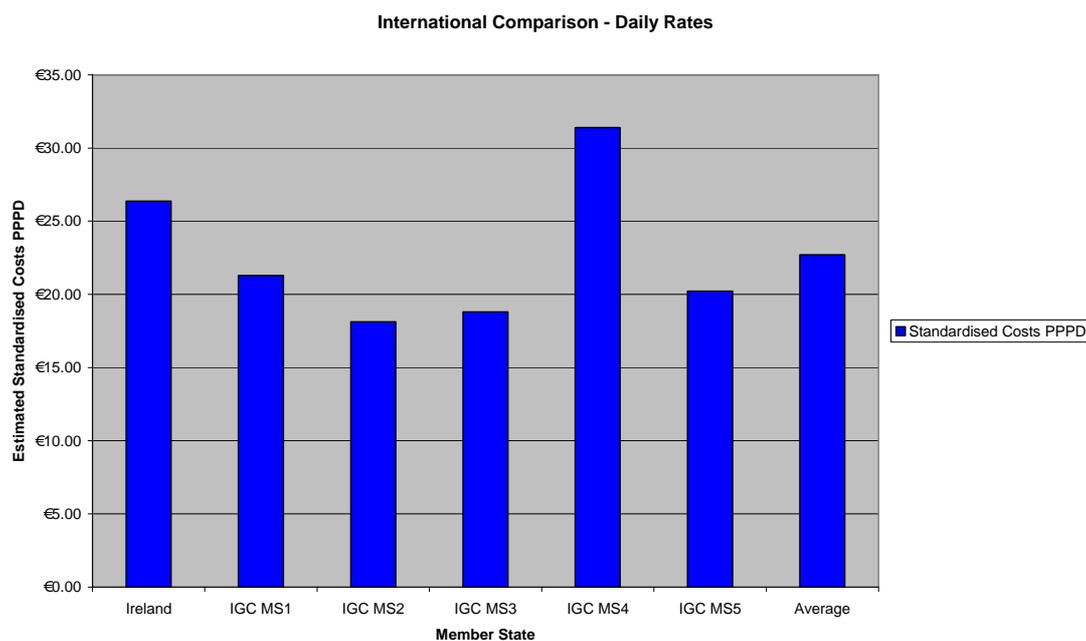
Six countries responded with useful data. To improve the validity of comparisons between countries the figures received from five of the six countries were adjusted using the 2007 Price Level Index for the EU 27 which gives a general indication of price levels in each EU state relative to the index figure (100) for the EU 27. One of the countries showed a price per day that was over twice the others so this was excluded from the comparison.

The adjusted price in Ireland is the second most expensive and €3.70 per day higher than the average for six countries included in this comparison. However the Irish figure is likely to be closer to the full cost than some of the others as it includes virtually all of the capital costs and overheads. While the difference in the daily rate is significant, the fact that figures used in this comparative exercise have to be qualified in so many ways means that this gap should not lead to a conclusion that Irish rates are significantly higher than international rates.

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<sup>16</sup> The IGC is an informal, non-decision making forum for intergovernmental information exchange and policy debate on issues of relevance to the management of international migratory flows. The IGC brings together 17 Participating States, the United Nations High Commissioner for Refugees, the International Organization for Migration and the European Commission. The Participating States are Australia, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Netherlands, New Zealand, Norway, Spain, Sweden, Switzerland, United Kingdom and United States of America.

**Figure 8: - International Comparisons**



#### **4.4.2 Domestic Comparisons**

Figures for accommodating and providing meals to large groups in hostel/dormitory style settings were sought from the Garda College at Templemore, the Department of Defence for military barracks, and from the secondary boarding school sector. The Garda figure of €27.28 per day, for example, is based on the cost of supplying three meals per day in the college restaurant and the cost of a bedroom only in a local Bed and Breakfast. This figure does not include the capital costs of the Garda buildings or operational overheads such as heat and light. Indicative figures for boarding schools, €35, were received from the education sector. Comparable figures for the Army were not available.

The RIA cost of €30.84 is approximately half way between the Garda College and the boarding school figures. The Garda figure is an understatement of the true cost as it does not include the College's indirect costs. Similar caveats apply to the comparability of domestic figures as applied to the international cost figures. Making allowances for the different services provided and for the differences in what is included in the costs figures it can only be concluded that asylum seeker accommodation costs are broadly similar to domestic comparators.

## **4.5 Efficiency Findings**

**Before outlining the efficiency findings the following describes some of the challenges faced by RIA.**

### **Acknowledgement of the context in which RIA operate**

Any evaluation of RIA's pursuit of efficiency has to acknowledge the environment in which they operate. They are faced with:

- uncertainty of demand for their services. Past experience shows that demand for accommodation can rise and fall quickly;
- restrictions on where they can contract supply as dictated by Government policy on dispersal;
- having to ensure that an undue burden is not placed on local educational and medical services;
- possible local opposition to the opening of accommodation centres;
- opposition to the closing of centres because residents are accessing medical care locally, are sitting state exams or are settled in local schools or the local community;
- a limited number of possible suppliers of a suitable accommodation service;
- restrictions caused by incompatibilities between different nationalities.

Most importantly RIA is managing the accommodation of a large number of people who have to be treated with dignity. They cannot be moved around at will. Children are attending schools etc and switching contracts means losing capacity in the changeover period as the centre being retired is wound down.

### **Efficiency Findings – The Current Model**

The beginning of this chapter stated that the efficiency of the current model depends on minimising the excess capacity required and securing the lowest possible daily rates. The findings in relation to these two efficiency drivers and then the more general findings are set out below.

## Excess Capacity:

- Excess capacity has a value and is an essential feature of the current model. Excess capacity is contracted to ensure that nobody goes without a bed. Just because it is not used does not mean that it does not have a value;
- This chapter has outlined a calculation that concluded that a prudent level of excess capacity using the current model should be less than 10%;
- RIA has targeted, and achieved on average, a 15% excess or unused capacity since June 2007. In the context of the current, relatively stable, numbers accessing the services, this could now be considered an inefficient level of excess capacity. Maintaining a 15% as opposed to a 10% excess capacity costs approximately €3.9m per annum at current usage levels;
- In times of rapidly increasing demand, capacity was increased to meet this demand which was a good performance in a pressurised situation. However, for a 15 month period, excess capacity was greater than 20% and reached 40%;
- The Current Model is not suitable for volatile demand situations. It performs fine when demand is rising but unless short-term contracts are used and their end-points are very well managed, it is difficult to shed excess capacity after a spike and therefore difficult to minimise costs. Progressively including a three month notice clause in all new contracts will improve this situation;
- RIA currently has options for retiring contracts on a staggered basis when the contract term ends. They can reduce capacity by 30% over a twelve month period. This indicates good planning by RIA in its management of the portfolio of contracts. Nevertheless, ideally more contracts should be maturing per month as this would give RIA more latitude for terminating those contacts that are not performing well;
- Some contracts are performing better than others in terms of the percentage occupancy that is achieved. There are a number of possible explanations for low occupancy in individual centres. In many cases this occurs for reasons that are outside the control of the contractor.

## Securing lowest daily rates:

- The daily rate as one would expect has a significant bearing on the cost of direct provision. €1 per day on the daily rate would cost approximately €3m extra per annum;
- There are significant variations in rates across the 60 centres. When the dearest and cheapest rates in a category of centre are excluded the rates can still vary by up to €8.50 per day;
- When daily rates and occupancy are combined the variation in rates is much more significant. The effective daily rate for the sixteen low occupancy centres is €43.86, which is nearly €1 per day more than the 8 highest occupancy centres;
- The location of the centre is the best indicator of the daily rate for a centre. Centres in Munster are typically at the lower end of the scale and centres in Dublin at the higher end;
- The current costs of state-owned centres compare favourably with commercial rates (with one notable exception). When capital costs are factored into the daily rate, it suggests that there is not a case at the moment for expanding the number of state-owned centres;
- The policy on dispersal, the inherent difficulty in both opening and closing centres and other procurement challenges restrict competition, which results in contract renewal being favoured;
- The low level of open competition means that it cannot be asserted with any confidence that the lowest possible rates have been secured;
- RIA has succeeded in maintaining average daily rates below the CPI index since 2000. Average Rates have actually fallen between 2000 and 2007 against inflation of 37% in that period;
- Rate increases in 2007-2009 on contract renewal are below the inflation rate for most contract renewals but higher than might be expected increases were agreed on 16 contracts;
- The capacity that RIA have forward purchased on average is at the lower rates. Achieving an overall rate reduction will depend on their ability to secure good rates on some of the better value contracts that are coming up for renewal.

## Other Findings:

- The current Model could operate at a lower excess capacity and therefore at a lower cost.
- Alternative models offer scope for maintaining a supply cushion, but at a lower cost. If a mixture of *contracts for capacity* and *contracts for availability and occupancy* were used, then based on an illustrative example using conservative rates, an estimated saving of €2.4m could be made while still retaining a 15% excess capacity cushion.
- The dispersal policy is contributing to higher costs as it is forcing RIA to use more centres in parts of the country that are more expensive and it is also contributing to restricting competition. A limited relaxation of the dispersal condition could, in theory see an annual saving of €2.3m.
- Notwithstanding the public policy imperative to ensure to the greatest extent possible that there is an even spread of placements throughout the country, other factors such as increased transportation costs and potential rises in the market price of existing low cost regions may reduce the level of expected savings.
- Combining a move to a combination of different contract types and a relaxation of the dispersal policy would yield cumulative savings. In practice it would take a number of months at least to start to realise those savings.
- Comparisons with the costs of providing for the needs of asylum seeker accommodation in five other countries and with two domestic providers of full board accommodation are not fully conclusive, but these comparisons do show that the daily costs paid by RIA are broadly similar to their comparators.

## **CHAPTER 5. Options**

### **5.1 Introduction**

This chapter addresses the sixth of the Terms of Reference – “should the programme continue in its current format”. Chapter 3 outlined why the objectives of this programme are still valid. The question of whether the programme should continue in its current format is reduced to a consideration of what other options would meet the objective and would these be more efficient.

The previous chapter, in its examination of efficiency looked, for comparison purposes, at two Direct Provision alternatives. This chapter looks at four options that could be chosen to meet the objective, three of which would not involve Direct Provision:

1. Allow Asylum Seekers to claim Social Welfare and Rent Supplement.
2. Provide Self-Catering Accommodation.
3. Local Authority Housing.
4. Outsource the RIA function.

The first three options are considered to see if they offer a realistic alternative to Direct Provision. The fourth option looks at whether there is a possible better alternative to the administration of the accommodation portfolio.

## 5.2 Option 1: Asylum Seekers allowed to claim Social Welfare and Rent Supplement

An assessment is made initially of the comparable costs of providing social welfare benefits and related payments to the numbers that are currently in Direct Provision. This is then broadened to consider what the knock-on effects would be in terms of additional social welfare costs that would be likely to be incurred if the rules were changed to allow asylum seekers to claim social welfare and related benefits.

The composition of the asylum seeker population, in terms of adults, couples and children dictates their social welfare entitlements. A snapshot of the 6,917 people in RIA accommodation in June 2009 breaks down as follows:

Singles over 20	3,084
Singles (18-20)	184
Lone Parents	766
Married main*	328
Married QA*	328
Children	<u>2,227</u>
	6,917

\* "Main" is main applicant; QA is Qualified Adult.

The supports that this group could be entitled to claim include: Supplementary Welfare Allowance, Rent Supplement, Fuel allowance, Child Benefit, Early Childcare Supplement, Exceptional Needs Payments and Back to School Clothing and Footwear payments.

As those in Direct Provision Accommodation are currently entitled to seek Exceptional Needs Payments and Back to School Allowance from the Community Welfare Officer, and these amounts are not included in the RIA annual outturn, the costs under these headings are not included in Table 9 (so that a direct comparison can be made with the cost of Direct Provision). Similarly, an adjustment is made to the total cost of this option by subtracting the cost of the weekly allowance of €19.10 per adult and €9.60 for children as these direct provision payments would cease under this option.

**Table 9: Estimated Weekly Costs of Social Welfare and other entitlements**

Profile	No. Persons	SW Scheme	Weekly Rate	Total for Week
Singles (over 20)	3,084	SWA	€204.30	€630,061.20
		Rent Supp	€2.00 <sup>17</sup>	€283,728.00
		Fuel	€12.28 <sup>18</sup>	€37,871.52
Singles (18 to 20)	184	SWA	€100.00 <sup>19</sup>	€18,400.00
		Rent Supp	€2.00	€6,928.00
		Fuel	€12.28	€2,259.52
Lone Parents	766	OPFP	€204.30	€156,493.80
		Rent Supp	€75.00	€10,650.00
		Fuel	€12.28	€9,406.48
Married Main	328	SWA	€204.30	€67,010.40
		Rent Supp	€75.00	€9,200.00
		Fuel	€12.28	€4,027.84
Married QA	328	SWA	€135.60	€44,476.80
Children	2,227 (of which 1,413 under 5)	SWA	€6.00	€7,902.00
		Child Benefit	€1.50	€2,420.50
		ECS <sup>20</sup>	€0.38	€4,666.94
Total	6,917	-	-	€1,736,503.00

**LESS:** Cost of Weekly allowances for adults (€19.10) and children (€9.60) that are incurred under Direct Provision but would not be incurred with this option:

Profile	No. Persons	SW Scheme	Weekly Rate	Total for Week
Adult (18 or over)	4,690	DP Allowance (Adult)	€19.10	€89,579.00
Child (Under 18)	2,227	DP Allowance (Child)	€9.60	€21,379.20
Total	6,917		-	€110,958.20

**Net Additional Weekly Social Welfare/Rent Allowance Costs: €1,625,544.80**  
**Net Additional Annual Social Welfare/Rent Allowance Cost: €84,755,905.87**

There would still be a need to provide initial direct provision Reception Centres to facilitate medical screening, registration for social welfare and initial business with the Office of the Refugee Applications Commissioner. Transport costs would still apply for initial dispersal. The cost of these two elements is estimated at €6.8m bringing the total cost of this option to €1.6m.

On the surface this looks like an option that is comparable with the cost of Direct Provision (outturn in 2008 €1.5m for average occupancy of 6,857). However there are approximately 16,000 people at various stages of the asylum process who are

<sup>17</sup> The Dublin/Kildare/Wicklow rate structure has been used for rent supplement, based on a history of those granted leave to remain or refugee status concentrating in the greater Dublin area.

<sup>18</sup> €20 per week for 32 weeks spread over 52 weeks = €12.28 per week (Fuel Allowance is seasonal).

<sup>19</sup> From 1 May 2009, a lower rate of SWA (€100 per week) applies to persons between 18 and 20 years of age.

<sup>20</sup> The Early Childcare Supplement is to be discontinued at the end of 2009.

assumed to be in the State. Asylum seekers are not obliged to stay in RIA accommodation, but they do not get other assistance if they do not avail of RIA accommodation.

If conditions for entitlement to Social Welfare and Rent Allowance were changed, then those not currently availing of RIA accommodation would be expected to apply for these payments, which would more than double the projected net additional Social Welfare/Rent Allowance cost. Granting entitlement to Social Welfare and Rent Allowance could also be a 'pull factor' and the numbers of new asylum seekers could rise significantly.

Even if the potential 'pull factor' is ignored, this 'welfare supports option' is likely to more than double the cost of providing for the accommodation needs of asylum seekers. In addition, it would most likely result in a concentration of asylum seekers in the larger urban areas, particularly in the Dublin area and this would place severe pressure on the education and medical services in these areas. There would also arise the cost of buying out some of the contracts that would be terminated before their agreed expiry dates.

### **5.3 Option 2: Accommodate Asylum Seekers in Self-Catering Accommodation**

The RIA currently operates a limited supply of self-catering accommodation units within the direct provision structure. Self-catering differs from direct provision in that residents are allowed cook for themselves (including purchasing their own food). In order to facilitate this different arrangement, a reduced rate of SWA (rate minus €24 per week at present (€180.30)) applies for such persons.

The centres themselves provide furnished accommodation, including utilities (light, heat, water, television) at no cost to the asylum seeker. The centres will have a manager and appropriate security on-site and deal with any maintenance requirements.

The option under consideration here is to move all asylum seekers into self-catering accommodation. The average cost of a self-catering bed space is €22 pppd (€8,030 per person per year). In addition to this cost, the following costs would arise, based on the transfer of the June cohort of 6,917 to such accommodation.

## Social Welfare and Self-Catering Costs of Option 2:

Profile	No. Persons	SW Scheme	Weekly Rate	Total for Week
<b>Singles (over 20)</b>	3,084	SWA	€180.30	<b>€556,045.20</b>
<b>Singles (18 to 20)</b>	184	SWA	€76.00	<b>€13,984.00</b>
<b>Lone Parents</b>	766	SWA	€180.30	<b>€138,109.80</b>
<b>Married Main</b>	328	SWA	€180.30	<b>€59,138.40</b>
<b>Married QA</b>	328	SWA	€135.60	<b>€44,476.80</b>
<b>Children</b>	2,227	SWA	€26.00	<b>€57,902.00</b>
<b>Sub-Total</b>		-	-	<b>€10,053.24</b>

<b>All</b>	6,917	<b>Self-Catering Cost</b>	€154	<b>€1,065,218.00</b>
<b>TOTAL</b>				<b>€1,975,271.24</b>

*Persons in self-catering accommodation do not at present qualify for Child Benefit (or Early Childcare Supplement), Rent Supplement, Fuel Allowance or Nappy Payments. Emergency Needs payments have been excluded (for comparison purposes) from these calculations as they also apply to those in Direct Provision and are not included in the RIA annual outturn.*

The annual cost of accommodating 6,917 people would be €103m made up of a social welfare cost of €47.5m and a self-catering accommodation cost of €55.5m. As with option 1 above, there would still be a need to provide initial direct provision Reception Centres to facilitate medical screening, registration for social welfare and initial business with the Office of the Refugee Applications Commissioner. Transport costs would still apply for initial dispersal and possibly for transfers between centres. The cost of these two elements is estimated at €6.8m bringing the total cost of the self-catering option to €109.8m.

In order to transfer to such a system, the RIA would either need to wait for current direct provision contracts to lapse or to buy-out existing contracts. Some of the current full board accommodation centres could feasibly be converted to self-catering and retained.

As with the social-welfare based system (Option 1), it is anticipated that most of the persons in the asylum process within and outside of RIA accommodation would seek to avail of the self-catering option. This would involve up to an estimated 16,000 persons in total. A move to a self-catering model would conservatively see a doubling of the number of people that would need to be catered for which would cost in excess of €200m. This excludes any conversion, buy-out or other costs associated with a migration to a self-catering model.

This option does not offer any significant advantages over Direct Provision. In a best case scenario, it would cost €18m more than Direct Provision and could exceed current costs by more than €120m.

## **5.4 Option 3: Local Authority Housing**

Allowing asylum seekers to seek local authority housing is effectively just another variant of Options 1 & 2 considered above. Local authority housing would be substituted for private rented accommodation or self-catering accommodation. Under this scenario, asylum seekers would have to be allowed to claim social welfare entitlements as they would be providing for their own needs but would not be allowed to work.

The social welfare costs for this option would be the same as for Option 1 for the June 2009 cohort of 6,917 at €3.4m (social welfare option excluding rent allowance). In addition to the baseline social welfare costs, there would be significant costs to the State associated with any solution involving local authority housing. To do this would require significant costs for the build of housing, maintenance costs and administrative/management costs. Due to the turnover of asylum seekers within such a solution, there would also be significant costs in respect of the re-commissioning of housing on a change of tenant.

Furthermore there would be a significant increase in pressure placed on existing local authority housing lists by this client group. Local authority housing is itself a long term solution to a long term housing need. In order to fulfil its obligations to house asylum seekers, they would automatically move to the top of a housing list and would have to be immediately accommodated regardless of waiting lists. In that regard, local authority housing is entirely unsuited to the short-term needs of asylum seekers.

A solution which involved a mix of social welfare payments and local authority housing would also be expected to prove an attraction for asylum seekers currently not availing of RIA accommodation. As stated previously there are 16,000 people in the asylum process who could avail of such a solution. This would mean more than a doubling of the numbers that would be likely to seek state assistance with their accommodation and a projected social welfare cost of €123.5m in addition to the true cost of providing the required number of housing units.

In addition, as with all options that offer access to cash payments, this option is likely to become a 'pull factor' and would lead to a significant increase in the number of new asylum seekers entering the country.

In practical terms this option also presents significant difficulties:

- Asylum seekers would have to be accommodated for lengthy periods in Reception Centres or other Direct Provision units while they awaited an outcome on their application and the availability of a house/apartment;
- Asylum seekers are likely to opt for particular locations and it would be difficult to disperse them to areas where large numbers would not put significant pressure on local medical and educational services. There are no

current legislative provisions in Ireland that can restrict the movements of asylum seekers to a particular geographical area;

- There would be significant transition costs in moving from the current Direct Provision system;
- Liaison between INIS and multiple local authorities would be more difficult than with RIA.

## **5.5 Option 4: Outsource the RIA function**

Accommodating asylum seekers has already been outsourced. The 45 commercially run centres, the reception centres and the self-catering accommodation are all privately owned and accommodation and meals are provided under contract to RIA. There are a small number of state owned centres but the running of these centres is also outsourced. The only part of the function that could be outsourced is therefore the RIA function.

There are a number of ways in which outsourcing the RIA function could be considered and these would depend on how much freedom could be given to a private sector operator:

- Would the operator be given the freedom to source accommodation at the required standard in a smaller number of large accommodation facilities or even in a single facility? or
- Would the operator have to disperse the population of asylum seekers and take account of the availability of educational and medical services in an area? and
- Would such an operator have to take over the existing contracts and honour them to maturity?

The most likely scenario is that an external contractor would have to operate within the current restrictions. They would have to disperse the asylum seekers to locations where they would not overwhelm mainstream services and they would have to honour existing contracts. The most likely outsourcing option is to engage an organisation to:

- manage the current set of contracts;
- procure new accommodation as required;
- put in place a set of contract conditions that best meet the particular needs of asylum seeker accommodation;
- maintain a minimum gap between the accommodation contracted and accommodation required.

They would have to operate within existing constraints in terms of dispersal, procurement rules and standard of accommodation.

The potential advantages of outsourcing part of the RIA function would have to be derived from a much tighter management of the portfolio of contracts, both in terms of volume contracted and price paid. It is possible that a private operator with a profit motive would lower costs by maintaining a lower excess capacity or securing better prices on contracts, but part of that gain would have to be passed onto the outsourced management company in the form of a fee, and part would also have to be spent on increased monitoring of quality.

The procurement and contracting of such a management contract would also be very complex. RIA perform a difficult function and juggle the various requirements and considerations of a diverse asylum seeker group with local community concerns. They do this by maintaining a good working relationship with their contracted suppliers. Introducing a new layer between RIA and the suppliers could significantly reduce the flexibility that is required. In addition, specifying precisely the functions of the management company would be difficult in an environment where demand can be volatile. To what extent can responsibility for providing for variable demand be transferred without adding significantly to the cost of the contract? Ideally RIA would give the management company their requirement at the beginning of every week and it would be up to the management company to decide how it satisfied this need within the constraints under which it would be asked to operate.

This option is a variation on the current Direct Provision model. The possible gains, in terms of costs, would have to be compared with what RIA themselves will aim to achieve in the next 1-2 years. It is unlikely, taking account of the fees to be paid on a management contract and the increased scrutiny that would be required, that a significant amount would be saved. There are also risks in going this route. RIA have succeeded in gaining acceptance for accommodation centres in the areas in which they are located. If an outsourced management contractor were not to be as successful in this regard, then any savings could be diminished. There would also be difficulties if the management company did not have full freedom to move individuals from centre to centre or to move all the residents of one centre to a new centre. A management company charged with minimising costs might be very intolerant of any opposition to moves and this could have a very negative effect on the whole system.

The introduction of a single service provider could also expose RIA to a dependence on that single provider over the term of the contract. This in turn may make it difficult for other providers to enter the market leading to a virtual, if not real monopoly.

## **5.6 Conclusion**

Four options have been considered in this chapter. Three involve a move away from direct provision with a shift to social welfare based entitlements. All three of these options would be more expensive than direct provision and potentially would cost twice as much. None of these options is therefore worthy of further consideration and the conclusion is that direct provision is the best option. There may be improvements on how direct provision is implemented and recommendations for improvement are in the final chapter.

Outsourcing the management of accommodation contracts was also considered. The accommodation provision is already outsourced and all that is left to outsource is the management of the accommodation contracts. There is potential for some cost savings but there are also risks, and on balance it is concluded that the cost savings would not be significant enough to outweigh the possible disadvantages.

## **CHAPTER 6. Findings, Conclusions and Recommendations**

### **Introduction**

The asylum seeker accommodation programme is a large and very complex undertaking that was developed in circumstances of crisis ten years ago. It continues to be a challenging programme.

It is clear from the analysis undertaken that the initial response to the accommodation crisis was effective. The primary objective of the programme, to provide accommodation and ancillary services to asylum seekers, has been met since the inception of the programme. It is difficult to overstate the complexity and scale of that challenge given the constraints under which the programme operates. Those constraints include: a fluctuating level of demand; a diverse client base with a range of needs; direct provision and dispersal requirements; the capacity of local communities and services to sustain accommodation centres; and the challenges of sourcing suitable centres and service providers. The RIA has done very commendable work in challenging circumstances to ensure that the primary objective of the programme is achieved. The focus on ensuring the effectiveness of the programme has, to some extent, overshadowed the achievement of maximum efficiency. While the programme bears up well in both domestic and international efficiency comparisons, it is clear that further efficiencies can be achieved.

The findings, conclusions and recommendations are presented in two broad sections in this chapter. A number of high level findings (and conclusions) are set out firstly under the following headings:

- Objective and Effectiveness
- Direct Provision
- Efficiency

The second part of this chapter sets out in greater detail findings, conclusions and recommendations that cover the following topics:

- Options
- Excess Capacity
- Competition

## **PART I**

### **Objective and Effectiveness:**

The accommodation programme has a clear objective - “to ensure that the accommodation, food and other ancillary service needs of asylum seekers are met, as required by international and domestic obligations”

RIA has delivered effectively on this obligation by ensuring every person that qualified for accommodation and requested it was facilitated. They have also ensured that the accommodation and food provided meets the standard required.

There is a continued need for the existence of the accommodation programme. There are new asylum seekers entering the country, albeit at a reduced rate at this time, and there are just under 6,500 people currently in RIA provided accommodation. Unless the numbers needing accommodation collapse or there are changes to the policies on allowing asylum seekers to work or claim social welfare, then the need for this programme will continue to exist.

#### Direct Provision

From comparison with a number of options including social welfare and self-catering, the chosen policy of direct provision was found to be the best choice for a number of reasons. It is less costly, it is less likely to act as an incentive to new asylum seekers (asylum shopping) and it allows the State to manage the challenge of asylum seekers in a way that reduces pressure on local services.

#### Efficiency

This review has found that there is potential to improve on efficiency, and given equivalent levels of demand, to reduce the cost of the programme. Many of the more detailed findings, conclusions and recommendations below address the question of efficiency .

## **PART II**

### **Options:**

#### Findings:

- The provision of accommodation is already outsourced. The outsourcing of a significant part of the RIA function (the management and procurement of accommodation) was considered but it was not deemed attractive as at best it did not offer substantial savings and also had potential disadvantages.
- A combination of “contracts for capacity” and “contracts for availability and occupancy” was analysed. Using current figures it was found that such a combination offered significant potential annual savings.
- Relaxing the Dispersal Policy was also considered and, using current figures and rates, and assuming that extra capacity would be available, it was found that a potential annual saving of €2.3m was possible, although it would take a period of time to secure this saving as contracts matured and were replaced.

#### Recommendations:

A mixture of “contracts for capacity” and “contracts for availability and occupancy” should be used. “Contracts for Capacity” should be used for the predicted medium to long term demand and “contracts for availability and occupancy” should be used for the excess capacity required.

Time should be allocated to an ongoing systematic analysis of the management of the portfolio of contracts which will inform decisions on the mix of contracts that should be used. This mix needs to be kept under constant review to ensure that it is delivering savings. A badly managed mix of contract types could end up being more expensive than the current single contract model.

It is acknowledged that savings from this and some other recommendations can only be achieved incrementally as current contracts reach the end of their term. It is also recognised that there is the potential for any savings arising from a more relaxed dispersal policy to be absorbed by increased transport costs and possible price rises in current lower cost regions if more capacity is taken up in those regions. It is further recognised that the current policy of widespread dispersal has had a positive impact on society, particularly in terms of cohesion and burden sharing across all strata of Irish society. On these grounds it is recommended that consideration of any relaxation in the current dispersal policy would be deferred, until the impacts and effects of other recommended initiatives such as changes to contract type and procurement changes are allowed work through the system.

## **Excess Capacity:**

### Findings:

- Given unpredictable and sometimes volatile demand it is difficult to precisely match the supply of accommodation places and the demand for accommodation places.
- In order to run an effective system a certain level of excess capacity or unused places has to be part of the system.
- Unused Capacity levels rose significantly and peaked at 40% when demand for accommodation fell sharply after the peak arising from the IBC scheme.
- The portfolio of accommodation centres has operated at 85% capacity since June 2007.
- An analysis of the main factors (volatility of demand, sickness and unusable spaces) that contribute to the need for excess capacity shows that, based on historical data, the portfolio of centres could be operated at a capacity of greater than 90%.
- In terms of capacity utilisation, some centres have much higher occupancy levels than others. Some have occupancy of over 90%, while many have 80% or less.

### Recommendations:

Overall capacity utilisation should be brought to in excess of 90% in 2010 by terminating some contracts that are reaching their maturity or by reducing the capacity on individual contracts.

Individual contracts should be monitored more closely to reveal the reasons for below average occupancy where this occurs. This should reduce the need for excess capacity.

The capacity contracted in new contracts should not have any allowance for unusable spaces. The responsibility for maximising space and making the maximum contracted space available to RIA should rest with the contractor. The contractor should have some spare capacity to cope with normal contingencies. This should reduce the need for excess capacity and give RIA the opportunity of being able to reduce excess capacity further.

## Competition:

### Findings:

- There are significant variations in daily rates. Excluding the dearest and the cheapest, rates can still vary by €8.50 per day. €1 per day on the daily rate for all contracted capacity adds approximately €3m per annum to the overall cost.
- On analysis of the available data, the location of the centre appears to be the best indicator of the daily rate. Centres in Munster are typically at the lower end of the scale, while centres in Dublin are typically the dearest.
- The number of new suppliers in the portfolio of contracts is low. Contract renewal is the norm.
- Overall RIA has succeeded in maintaining changes in average daily rates below the CPI index since 2000. Rate increases agreed in 2007-2009 are below the inflation rate for most contract renewals. Higher than expected increases were, however agreed on 16 contracts.
- A comparison of daily rates with five other countries, while not conclusive, did show that daily rates in Ireland are broadly similar with rates in the countries that provided data. Similarly, a comparison with the daily rates of two domestic comparators was not conclusive but indicated that daily rates for asylum seeker accommodation are in the same ballpark.

### Conclusions

There is an arguable case to be made that good daily rates for accommodation are secured and it is acknowledged that switching between centres carries a one-off financial cost and a human disruption cost. However, it is a conclusion of this review that insufficient capacity is being offered to the market and rates are not therefore robustly tested.

## Recommendations:

It is recommended that RIA issue regular invitations to tender. The minimum practical interval between invitations would have to be worked out but the maximum interval should not be more than 18 months. The period of contract would still be for varying length to meet RIA's operational requirements. The invitation to tender would seek both "contracts for capacity" and "contracts for availability and occupancy". All new contracts from a specified date forward would be with those that have responded to the invitation to tender. Those with existing contracts would have to submit a tender if they wished to be considered.

It is acknowledged that there are specific challenges for procurement of asylum accommodation. A proposed outline of how a more open competition could be run which accommodates these specific challenges is set out in the Appendix 2.

Appendix 2 sets out the outline of a possible process by which a more open competition could be carried out. It is not intended to be definitive or prescriptive. The Working Group sees this rather as a working document which will form the basis of discussion between RIA, the Procurement Policy Unit of the Department of Justice, Equality and Law Reform and the Attorney Generals' Office.

## **Other:**

### Findings:

- When the cost of overheads is apportioned and added to the daily rate for state-owned centres, the adjusted daily rate is typically below or at the lower end of the scale of rates for commercial centres. The rate charged to operate one of the seven state-owned centres is particularly high and, even before adjustments are made for overhead costs, is more expensive than 90% of commercially owned and operated centres.
- When an allowance is made for the capital costs of developing or purchasing state-owned centres the typical notional daily rate is at the lower end of the commercial rates.
- The Reception Centres perform a particular function and have an average occupancy between 60 and 70%.

### Conclusions:

With one exception, state-owned centres are providing capacity at favourable rates.

When allowance is made for the capital costs there is no clear case, and at best a marginal case for opening new state-owned centres unless purchase prices and development costs were to fall significantly or rates charged by commercial centres were to rise. There would also be reduced flexibility if the State owned a higher volume of capacity.

### Recommendations:

The trade-off between the current daily rates for state-owned centres, the possible sale price of the asset, the commercial rates being paid and the strategic value of maintaining a percentage of accommodation in state ownership should be kept under regular review.

If the daily rates tendered for operating state-owned centres are not competitive with commercially owned and operated centres, then the contract should not be awarded unless there are other compelling reasons for doing so.

As reception centres are rarely close to full capacity they could be used as part of the contingency accommodation when excess capacity levels are reduced.

**Performance Indicators:**

The following performance indicators should be added to the current set of performance indicators and monitored at appropriate intervals:

- a. Occupancy levels by centre
- b. Excess capacity %
- c. Projected excess capacity if no change to contract portfolio
- d. Overall effective rate\*
- e. Effective rate\* by centre
- f. Average daily rate
- g. Range of daily rates
- h. Daily rate (including overheads) for state-owned centres.
- i. Overall forecast demand for two months ahead
- j. Projected total annual cost

\* The effective rate is the total value of the contract divided by the number of occupants at a given point in time. Such a rate can be a volatile measure in the case of centres which have high throughput e.g Reception centres.

## **Appendix 1**

Synopsis of the more important requirements in the generic contract for Direct Provision:

- Liaise with HSE on behalf of Residents
- Implement RIA Rules and Procedures
- Implement a Child Protection Policy
- Retain the centre solely for RIA's use
- Conduct no other business at the centre
- Provide and replace furniture
- Provide heating
- Undertake internal and external maintenance
- Provide entertainment / leisure facilities free of charge
- Implement a procedure to allow visitors
- Provide secure facility for storage
- Provide and replace towels
- Provide and replace toiletries
- Provide and replace bed linen
- Provide a laundry service free of charge
- Provide adequate hot water
- Provide adequate cleaning equipment
- Provide full board catering
- Provide for any ethnic and prescribed dietary needs of residents
- Provide a 28 day menu cycle
- Provide snacks and meals out of hours
- Provide packed lunches for school children
- Implement HACCP procedures
- Provide an appropriate number of staff with a 7 day management presence between 8am and 8pm
- Provide for holiday staffing relief
- Ensure that staff are of good character
- Employ a qualified chef
- Ensure staff are lawfully entitled to work in the State
- Provide security and supervision on a 24 hour basis
- Comply with all statutes and regulations
- Protect the identity of asylum seekers
- Comply with all fire regulations plus provide to the OPW, on an annual basis, independent, third party fire certification.
- Ensure adequate public liability insurance cover.

## Appendix 2

### **Proposed Open Competition for Commercial Centres:**

**The outlined proposal below is indicative, not prescriptive. For example, the timescales are contingent on a tender framework, which fulfils legal requirements, being drawn up within a certain time period.**

A move to a more open competition has to take account of the particular challenges that were outlined in Chapter 4 (4.2(B)(iv)), i.e. unpredictability of demand, dispersal, local opposition, children settled in schools, availability of school places etc. Outlined here are a few suggestions which take account of the particular issues that to date have hindered open competition in the procurement of asylum seeker accommodation.

### **What should be put out to tender?**

Twenty-four commercial contracts will mature between May 2010 and December 2011 inclusive. It is proposed that the capacity currently provided by these 24 centres will be replaced, as required, by those suppliers that are successful in an open tender competition. It is proposed that all commercial contracts awarded from May 2010 onwards are on foot of this and subsequent open competitions.

#### *Facts relating to these 24 centres:*

*These 24 centres, whose contracts will mature between May 2010 and December 2011, currently provide a capacity of 3,654 places (62% of commercial capacity). They are located in twelve counties Sligo, Galway, Limerick, Kerry, Cork, Waterford, Wexford, Wicklow, Dublin, Kildare, Laois and Meath and are therefore well dispersed throughout the country.*

*11 of these 24 centres (accounting for 826 places) cater for single adults or couples only. Given that 47% of the current asylum population are either here on their own or as part of an adult couple an estimated 890 adults without children are accommodated in the 13 other centres which cater for a combination of family and non-family units.*

The tender would not be seeking to replace these 24 centres with exact replicas of what are currently in place, either in terms of size, family/single mix or location. RIA could end up contracting for a smaller or larger capacity, for a smaller or larger number of centres or for a different mix of adult-only and family centres. Contracts on foot of an open competition would be awarded on a staggered basis, over an eighteen month period, as current contracts matured and as places are needed.

### **How are the particular challenges to be overcome<sup>21</sup>?**

As set out in Chapter 4 and summarised above, the holding of an open competition for asylum seeker accommodation presents its own unique challenges. These challenges stem from the fact that the party making the bid has no control over many of the factors that will be taken into account by RIA when they make their decision on awarding a contract. To take account of this it is proposed, in summary, that:

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<sup>21</sup> The type of service that RIA require is fully documented in existing contracts and in Request for Tender documents used for the operation of state-owned centres. This section does not discuss any of these standard requirements.

- RIA clearly states in its tender document all of the factors that will be taken into account in the making of a decision to award a contract;
- The tender document will provide as much information as possible which will allow any prospective supplier to make their own assessment of their chances of succeeding before they submit a tender.

The Request for Tender document can make it clear that RIA will have to take account of the feasibility of the proposed centre becoming operational within the period in which it is required. It can be made clear that factors other than the quality of the proposed centre/service will be taken into account and that these factors include the capacity of local services to accommodate the extra people, and the requirement to disperse accommodation centres throughout the country. It can be made clear that it is RIA that will make their own assessment of the impact that the proposed centre would have on local educational services etc. The Request for Tender document should provide full information on the current centres.

Any party intending to submit a tender will do so in the full knowledge that the bid will be judged not only on the merit of the accommodation offered, the supplier's capability to provide the service and the price, but also on the local factors that are outside his control such as the availability of school places. If a prospective supplier is unsure of the local service situation they could take a lower risk option and submit a tender that caters for adults only. The Request for Tender document can present the reality of the situation and allow prospective suppliers to make a realistic assessment of their chances before submitting a tender.

Those submitting tenders should be asked to:

- identify the building they are proposing to use and its location;
- the reasons it is suitable for the purpose of asylum seeker accommodation;
- the capability of the supplier to provide the service required;
- the capacity offered;
- the profile of single, couple, family that can be catered for;
- the date from which the accommodation will be ready for use;
- the period for which the proposal will remain valid.

### **Awarding of New Contracts**

It is expected that the response to the Request for Tender will include most or even all of the current suppliers plus proposals for a number of new centres. The proposals from the existing centres would have start dates that correspond with the end dates of their current contracts. The new proposals could have a variety of earliest start dates but new bidders may show a tendency to target the contract end dates of centres in their catchment area, or there may be a cluster of start dates in May 2010.

When all proposals have been received, RIA have the task of replacing existing contracted capacity with the most economically advantageous bids received, in locations whose services can cope, while also fulfilling the dispersal condition. All tenders will be screened initially to rule out those that cannot be awarded contracts because they have failed to qualify in some respect, because they do not have suitable

premises or because they have not demonstrated the required capacity to run an asylum seeker accommodation centre.

The capacity on maturing contracts, which potentially have to be replaced, is spread over an 18month period as follows:

Month 2010	May	June	Aug	Oct	Nov	Dec
Capacity on maturing Contracts	<i>Decision Point 1.</i>	1202	125	85	209	<i>Decision Point 2.</i>

Month 2011	Jan	Feb	Apr	Jun	July	Aug	Nov
Capacity on maturing Contracts	648	280	175	200	<i>Decision Point 3.</i>	480	250

RIA cannot award contracts for a capacity of over 3,600 places in May 2010 given that it cannot be sure that all of these places will be required as many of the contracts that could be replaced will have several months to 1.5 years left to run.

It is proposed that decisions on the award of contracts will be made at three decision points. A decision in respect of a possible 1600<sup>22</sup> places can be made in May 2010, in respect of 1,300 places in December 2010 and in respect of a possible 700 places in July 2011.

After the first set of contracts are awarded, in May 2010, those that have qualified tenders but who did not get one of the first tranche of contracts, can be given the option to state if they wish to be considered for contracts that will be decided on in December 2010.

It is known that the 24 existing centres are well dispersed throughout the country. It would be expected that potential new suppliers would also come from different regions which should offer RIA a choice while maintaining a dispersed portfolio.

Two other recommendations in this Review should be incorporated into the Request for Tender:

1. Those submitting tenders would be invited to submit prices for two types of contract –
  - “contracts for capacity” under which (like the current contract) the supplier is paid a single rate for the place in the centre whether it is used or not and,
  - “contracts for availability and use” where the contractor is paid a low rate for the availability of a place and a different rate for the days that the place is actually used.

<sup>22</sup> The figure of 1,600 is based on the current contracts that are maturing. When this date is reached and taking account of other recommendations in this review for a lower level of excess capacity, the required capacity may be less. If there is an increased number of asylum seekers in the country this figure may be higher.

Prospective suppliers would be advised that over 90% of contracts awarded would likely be “contracts for capacity”. They would be free to submit prices for a single type of contract or for both types.

2. RIA should always have the right to fill a centre to the capacity submitted in the tender. No allowance should have to be made for family configuration, room turnover or repairs. The supplier should have the necessary accommodation cushion to ensure that he can always supply the agreed number of places.

### **Appendix 3**

#### Membership of Review Group

Martin Lynch, Chairman

Tim Maverley, Department of Justice

Andrew Munro, Department of Justice

Lar Quigley, Department of Justice

Nelius Lynch, Department of Finance

Cormac Carey, Department of Finance

Cormac Gilhooly, Department of Finance

Noel Dowling, Reception and Integration Agency (RIA)

Teresa Clarke, RIA

Ultan Ryan, RIA

Bernie Loughrey, RIA., Secretary

## **LIST of ABBREVIATIONS**

CPI	Consumer Price Index
CWO	Community Welfare Officer
DASS	Directorate for Asylum Support Services
DP	Direct Provision
ECS	Early Childcare Supplement
ENP	Emergency Needs Payment
HSE	Health Service Executive
IBC	Irish Born Children
IGC	Inter Governmental Consultations
INIS	Irish Naturalisation and Immigration Service
NDFA	National Development Finance Agency
NGO	Non-Governmental Organisation
OJEU	Official Journal of European Union
OPFP	One-Parent Family Payment
ORAC	Office of Refugee Applications Commissioner
QA	Qualified Adult
RAT	Refugee Appeals Tribunal
RIA	Reception and Integration Agency
SWA	Supplementary Welfare Allowance
UN	United Nations
UNHCR	United Nations High Commissioner for Refugees