



National Audit Office

Report

by the Comptroller
and Auditor General

Home Office

COMPASS contracts for the provision of accommodation for asylum seekers

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COMPASS contracts for the provision of accommodation for asylum seekers

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

20 December 2013

During 2012 and 2013, the National Audit Office received correspondence from individuals and MPs, with concerns over the operation of the new contracts. This report sets out the results of our investigation into these concerns.

Investigations

We investigate specific allegations of wrongdoing in the public sector; or in response to intelligence or assertions suggesting that wrongdoing is likely.

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This report can be found on the National Audit Office website at www.nao.org.uk/2014-compass-contracts

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Summary

1 The Home Office (the Department) provides accommodation for asylum seekers and their families while their cases are being processed, including transport to the accommodation. The cost of providing this accommodation in 2011-12 was £150 million. In March 2012, the Department signed six new contracts for the provision of these services, collectively called COMPASS (Commercial and Operating Managers Procuring Asylum Support). It awarded G4S, Serco and Clearel contracts to supply accommodation services, with each awarded a contract to deliver these services in two of the six regions of the UK. The Department aimed to save around £140 million over seven years through the introduction of the new contractual arrangements; in 2012-13, it achieved a saving of £8 million. The new delivery model involves fewer and bigger housing providers than under the previous contracts. Only one of the three providers under COMPASS (Clearel) had any previous experience of the asylum housing sector. The contracts became fully operational in all areas by January 2013 following a transition period.

2 During 2012 and 2013, the National Audit Office received correspondence from individuals and MPs, with concerns over the operation of the new contracts. This report sets out the results of our investigation into these concerns.

3 Specifically, we have sought to investigate:

- why the Department entered into these contracts and the services provided under them (covered in Part One);
- what happened during the transition to the six new COMPASS contracts (Part Two) and during the first six months of operation (Part Three);
- the performance of all three providers, including compliance with the terms of the contract (Parts Two and Three);
- the quality of provision and arrangements for ensuring accommodation meets the contractual standards (Parts Two and Three); and
- the experience of service users (also covered in Parts Two and Three).

Transition

- 4** Our key findings on transition to the new COMPASS contracts are as follows:
- a** Transition happened during a demanding period for the Department. Organisational change affected the implementation plans for COMPASS, and resources were further stretched by the involvement of staff in the response to industrial action at the UK border, and in supporting the Olympics. Despite these pressures, the new contracts became fully operational in all areas by January 2013, at which point the previous contracts (known as Target contracts) came to an end.
 - b** In some areas transition to the new contracts took up to three months longer than originally planned. Clearel was the only contractor to meet the original September 2012 deadline for completion of transition in both of its regions. G4S and Serco struggled throughout preparations for and during transition to establish a robust and reliable supply chain using existing housing providers and to source new housing stock, resulting in delays to transition and continued uncertainty for service users.
 - c** As part of the Department's contingency arrangements, Clearel spent around £70,000 housing additional asylum seekers from September to December 2012, when G4S and Serco were unable to accommodate all those who should have been dispersed to their respective regions. The Department also spent £170,000 on a contract extension in the Yorkshire and Humberside region.
 - d** Both G4S and Serco took on housing stock during the transition from previous Target suppliers without carrying out full inspections, and subsequently found that many of the properties did not meet the contractual standards on quality.
 - e** Around 20,000 service users were housed by the Department at the start of transition and approximately 90 per cent were able to stay in their existing accommodation. Some of those who were asked to move received mixed messages, and communications were not routinely translated, risking gaps in understanding among those affected.
 - f** The Department did not apply its key performance indicator (KPI) regime during transition and has therefore not imposed any penalties for failure to meet the KPIs during this period. It has reserved the right to recover additional costs incurred during transition as part of its ongoing negotiations with G4S and Serco.

Operational performance

5 Our key findings on operational performance under the new contracts are as follows:

- a** Although reported performance by COMPASS providers is improving, overall providers continue to fail to meet contractual standards in some areas. For example, both G4S and Serco have failed to meet a number of KPIs on finding properties for service users in a set timescale, and on property standards.
- b** The Department has implemented a programme of property inspections, which has confirmed that many properties remain below the required contractual standard, for reasons ranging from minor to major defects. The impact of this additional compliance activity, which the Department had expected the providers to take on, may reduce the savings the contract was designed to achieve.
- c** Providers continue to experience problems sourcing new housing stock in some areas. All three providers would like to expand into new areas to increase their ability to respond flexibly to changes in demand and the housing market; however, this is subject to review of the existing policies around numbers and the flow of asylum seekers into local areas.
- d** The providers believe the information provided to them by the Department during procurement was inadequate in some areas and has resulted in some of the difficulties now faced in running the service. For example, historical information on demand and the service user population does not match the reality they are facing, with take-up of asylum accommodation higher than the Department predicted.
- e** The Department is now recovering service credits (rebates to the Department) as of July 2013, and is also taking steps to recover between £3 million to £4 million of service credits that it deems have accrued for poor performance between January and June 2013.
- f** All providers told us that in their view the KPI regime is being applied too rigidly and needs to be reviewed. No formal contract changes have been agreed to date.
- g** Service users, and a number of their representative groups who contacted us, remain concerned about the new contract arrangements. Particular concerns include the quality of the accommodation where backlogs in maintenance work are not being addressed by providers in the contractual time frames, and the approach of some of the providers' housing staff.

Concluding comments

6 It is clear from our investigation that unresolved issues remain for the delivery of the COMPASS contracts, although they have been operational for almost one year. Transition to the new contracts was challenging. The new providers in particular struggled to establish their supply chains resulting in poor performance, delays and additional costs for the Department. Many of the issues that arose during transition remained unresolved between the Department and the providers and continued to affect provider performance once the contracts became fully operational. Although performance is now improving, providers are still failing to meet some of their KPIs, notably around property standards, and the experience of some service users has suffered. Commercial negotiations are still under way over whether the contracts need to change, what additional costs have been incurred by the Department and what service credits should be applied. Until these issues are resolved it will be difficult for the key parties (the Department, providers and local authorities) to develop the mature relationships needed to deliver the intended savings and an effective service regime.

Recommendations

- 7** We have recommended the Department should:
- a** work with providers to resolve outstanding issues over contract delivery and conclude commercial negotiations to move the contract forward;
 - b** extend its current discussions regarding policy around where asylum seekers can be accommodated to include discussions with local authorities and providers;
 - c** conclude current discussions with providers on the COMPASS KPI regime and resolve any differences in interpretation (the regime should provide sufficient incentives for service improvement as well as ensuring the Department maintains effective control over provider performance);
 - d** routinely provide the contractors with access to forecasts of demand and asylum seeker flow, which could help them plan further in advance. The providers should also give the Department full access to their systems and management information, in line with the contract; and
 - e** make better use of its compliance teams to ensure the providers are meeting their contractual commitments and should prioritise these resources such that activity focuses on the riskier areas of the contract (including the issues of accommodation quality and maintenance, management of service user complaints, and whether providers are meeting contractual commitments on attendance at properties, use of interpreters and housing office training).

The Department should work with providers to ensure that they:

- f** review the arrangements for property maintenance, including the process for managing properties between occupants, and look at ways to reduce the backlog;
- g** audit the training of housing officer staff, with particular regard to understanding service users' needs, and ensure that arrangements for accessing properties are applied consistently; and
- h** develop appropriate mechanisms to capture feedback from service users about their experiences living in asylum accommodation – for example customer satisfaction surveys or focus groups.

Part One

Overview of asylum accommodation provision

Introduction

1.1 The Home Office (the Department) provides accommodation and support for individuals and families seeking asylum in the UK who are assessed as being destitute. This part of the report sets out the Department's obligations and the process through which asylum seekers access accommodation, and outlines the COMPASS contracts for providing accommodation and transport services.

Legal requirement for asylum accommodation

1.2 The Department has an obligation under the Immigration and Asylum Act 1999 to provide accommodation for asylum seekers.¹ The Department also provides financial support (known as subsistence support)² for essential needs such as food and clothing, although this is outside the scope of our investigation. Asylum seekers are not allowed to work or to claim mainstream welfare benefits so, if they are destitute, they are often dependent on this provision.

1.3 As at April 2013, the Department provided accommodation for around 23,000 asylum seekers. Around 60 per cent of the total asylum seeker population typically receive financial support from the Department. To be eligible for accommodation, an asylum seeker has to prove that:

- their application for asylum has been recorded (around 2,000 claims per month are typically made mainly from individuals who have spent a period of time in the UK, with only around 10 per cent made at the port of entry);
- they are destitute and therefore have access to very little or no money and accommodation;
- they have applied for asylum 'as soon as reasonably practicable' after arriving in the UK; and
- if unaccompanied, they are over 18 years of age.³

¹ The relevant sections of the Act are section 4, 95 and 98.

² If an asylum seeker has accommodation, for example with friends and relatives, they can apply for this cash support only, known as 'subsistence support'. As of December 2013, around 10 per cent of asylum seekers do not request help with accommodation, but do receive financial support.

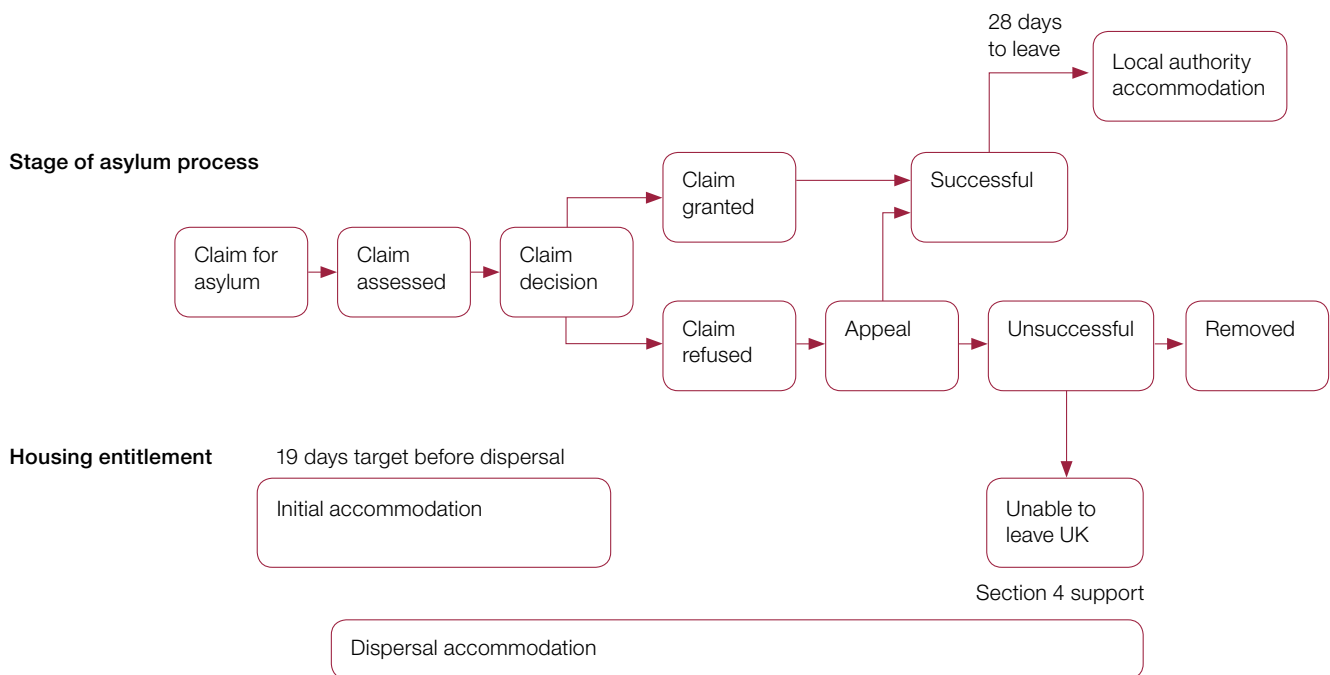
³ Destitute unaccompanied minors are housed by local authorities under Home Office grants. We have not considered this scheme in this report.

Dispersal of asylum seekers

1.4 The Department first places eligible asylum seekers in hostel-style accommodation (known as ‘initial accommodation’) on a short-term basis while they make an application for financial assistance to the Department. Most asylum seekers make their initial claim at the asylum screening unit in Croydon, although the Department’s policy is not to provide accommodation in London unless there are exceptional circumstances, such as, ongoing medical needs. Instead, the Department allocates asylum seekers to one of the six COMPASS regions,⁴ and the relevant accommodation provider transports asylum seekers to initial accommodation within this region.

1.5 The provider arranges to move asylum seekers to more permanent dispersal accommodation once the Department has assessed and confirmed their eligibility for support.⁵ **Figure 1** shows the process in more detail. Providers must propose a property to the Department within five days, and should normally complete the dispersal process within nine days. Dispersal accommodation is typically a flat or shared house in which the asylum seeker is provided with bedding and basic kitchen equipment as well as basic furniture and access to cooking and washing facilities. The type of property asylum seekers are allocated depends on a number of factors, such as whether they have children living with them.

Figure 1
The typical journey



Source: National Audit Office analysis

4 Allocations are made to regions according to a pre-agreed percentage split, for example Wales received 8 per cent of new cases in 2012-13.
5 The Department aims for asylum seekers to spend no longer than 19 days in initial accommodation during an initial assessment of their claim.

Restrictions on dispersal

1.6 Dispersal accommodation is located in particular areas in the community where the local authority has agreed to take asylum seekers up to a defined cluster limit (defined as an assumption that there will be no more than one asylum seeker per 200 residents, based on the 2001 census figures for population). In some areas local authorities have agreed a variation to this arrangement with the Department. Not all local authorities currently participate. Dispersal arrangements are subject to ongoing monitoring and review by the Department.

1.7 Under the terms of the COMPASS contracts, contractors are required to consider a range of social cohesion, housing and community factors alongside cost when proposing properties to be used for dispersal accommodation for asylum seekers. These factors include:

- the availability and concentration of accommodation;
- the capacity of local health, education and other support services; and
- the level of risk of increased social tension if the number of asylum seekers increases within a given area.

These factors are monitored by local authorities, who have the right to withdraw existing consent for specific properties to be used for asylum seeker accommodation or reject new proposals if there are any specific concerns, for example around community cohesion.

1.8 The Department expects asylum seekers to remain in their allocated accommodation while their claim is processed unless they are given permission to move, and failure to do so can mean accommodation and support is withdrawn. If an asylum seeker's claim for refugee status is successful, they cease to be eligible for support after 28 days, and must find alternative accommodation. This is usually, but not always through the local authority. Unsuccessful asylum seekers can remain in the Department's accommodation while any appeal is heard.

1.9 Refused asylum seekers who have exhausted their appeal rights are required to leave the UK as soon as possible. The Department supports those who are destitute (through section 4 of the 1999 Act) while they take steps to leave the UK. Asylum seekers in these circumstances continue to be housed in the Department's accommodation. Failed asylum seekers without appeal rights frequently make further representations to the Department on their case towards gaining refugee status.

The COMPASS contracts

1.10 In July 2009, the former UK Border Agency⁶ launched its Commercial and Operational Managers Procuring Asylum Support Services (COMPASS) project. The aim was to develop new contractual arrangements for providing asylum accommodation and support services in advance of the expiry of the previous contracts (known as Target contracts) during 2012.

1.11 The COMPASS contracts aimed to reduce the annual cost of providing accommodation for asylum seekers (around £150 million in 2011-12) while maintaining quality through contracting with fewer, larger providers and offering greater financial resilience. Each regional provider acts as a prime contractor, managing a supply chain of landlords and housing providers to deliver accommodation services according to the requirements set by the Department. The six COMPASS contracts replaced 22 separate contracts with 13 different suppliers (a mixture of private providers, local authorities and the voluntary sector), and also include transport services, which was previously covered by a separate contract. Prior to the award of the contracts the UK Border Agency estimated that it would save around £140 million over seven years.

1.12 G4S, Serco and Clearel each won two of the six regional contracts for a five-year term with a possible two-year extension (see **Figure 2**). **Figure 3** on page 14 details the main COMPASS contractual requirements.

Key stakeholders

1.13 There are a number of stakeholders engaged in the provision of asylum accommodation as well as a large number of advocacy organisations supporting asylum seekers on a range of issues (see **Figure 4** on page 15).

⁶ The UK Border Agency was responsible for the provision of asylum accommodation up until April 2013, when the Agency was abolished and the responsibility transferred to the Department.

Figure 2
COMPASS providers and regions



1 Scotland and Northern Ireland

Provider: Serco
Asylum seekers: 2,898
Delivery model: Subcontract
Subcontractors: Orchard & Shipman

2 North West

Provider: Serco
Asylum seekers: 5,903
Delivery model: Self-delivery
Subcontractors: N/A

3 North East, Yorkshire and the Humber

Provider: G4S
Asylum seekers: 4,965
Delivery model: Subcontract
Subcontractors: Live Management Group Limited, Target Housing Association, UHS Limited, Jomast and Cascade – supply properties mainly from private landlords.

4 Midlands and East of England

Provider: G4S
Asylum seekers: 5,433
Delivery model: Subcontract
Subcontractors: Live Management Group Limited, Target Housing Association, UHS Limited and Mantel Estates Limited – supply properties mainly from private landlords.

5 Wales and South West

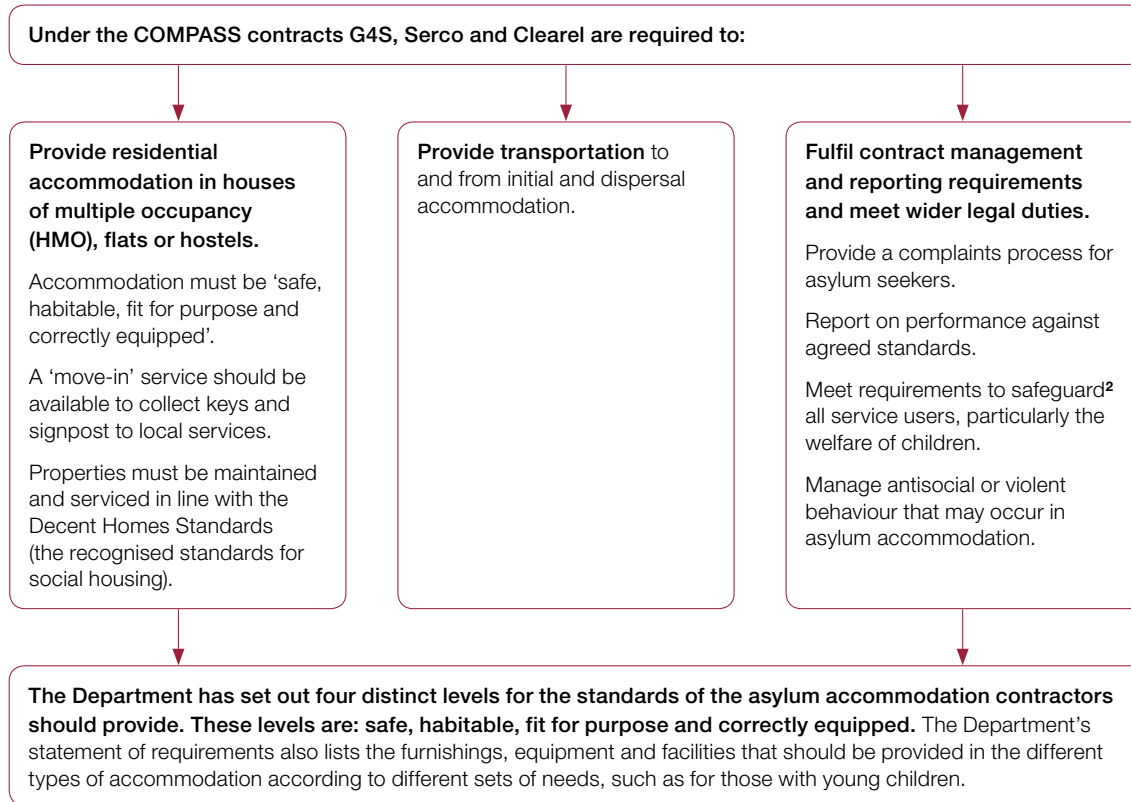
Provider: Clearel
Asylum seekers: 1,791
Delivery model: Self-delivery
Subcontractors: N/A

6 London and South East

Provider: Clearel
Asylum seekers: 2,535
Delivery model: Subcontract
Subcontractors: Uses four subcontractors for day-to-day management of properties.

Source: National Audit Office analysis of provider data

Figure 3
Key COMPASS contractual requirements

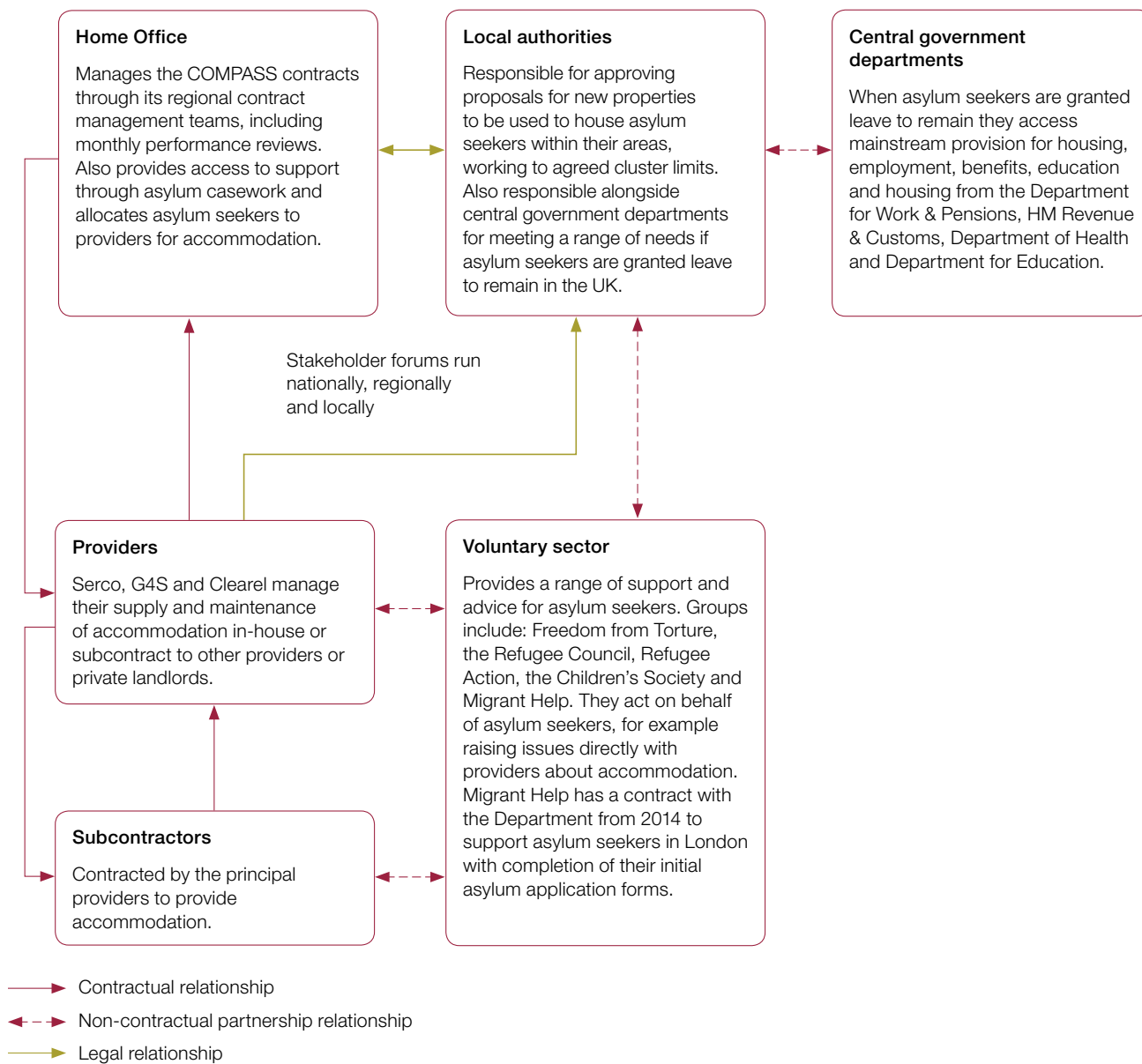


Notes

- 1 This figure provides a summary of the key elements of the COMPASS contract examined as part of this investigation.
- 2 The contractors are required to comply with the duties imposed on them by section 55 of the Border, Citizenship and Immigration Act 2009 to safeguard children from harm and promote their welfare.

Source: National Audit Office analysis of the COMPASS Statement of Requirements

Figure 4
Key stakeholders



Source: National Audit Office analysis

Challenges and complexities

1.14 The Department and providers face a number of challenges and complexities in the delivery of the COMPASS contracts. Asylum dispersal policy can create concerns around community cohesion and the effect of immigration on local public services. It is difficult to predict accurate numbers of asylum seekers who may come to the UK in response to world events, and subsequently to forecast demand for accommodation and level of turnover. For example, the Department expected an increased take-up of accommodation in the autumn of 2012, but this turned out to be even higher than predicted – although still in line with its most pessimistic modelling scenario. Length of stay in accommodation is also difficult to predict as it is dependent on the time frame in which the Department processes cases – the asylum application and appeals process can last between a few weeks and several years in some cases. Some asylum seekers can have complex needs that affect the type and location of accommodation they require: for example, victims of torture may require access to appropriate support and medical care and may not be able to share accommodation, and there are also restrictions on where those on bail can be accommodated (paragraph 3.8).

Part Two

Transition to the new COMPASS contracts

Introduction

2.1 The COMPASS contracts were signed in March 2012, and the Department and providers began a period of mobilisation. The contracts were due to be phased in from May to September 2012, with transition to be complete in all areas by October 2012. In some areas transition was more difficult than expected and as a result took longer; these contracts did not become fully operational until the end of December 2012. This part of the report examines in more detail what happened during the transition period. This includes the Department's preparations for the transition, the problems experienced by two of the three providers in establishing a supply chain, the subsequent effect on service delivery, and actions taken to ensure transition was completed before any agreed extensions to the previous contracts expired.

Planning for the transition

2.2 The Department expected the transition to the new contracts to be challenging for the following reasons:

- It was moving to a new delivery model with fewer, bigger providers. Two of these, G4S and Serco, were new to the provision of asylum seeker accommodation and to the housing sector.
- There were a number of outgoing housing suppliers, which would no longer be involved under the new arrangements, unless they agreed to be part of the supply chain for the new providers. These included some local authorities, which had bid unsuccessfully for the new contracts.
- Providers would be required to manage relationships with local authorities, which remain key stakeholders regarding decisions on the location of asylum seeker accommodation.
- It had to manage the impact on some 20,000⁷ service users, many of whom could potentially be required to move to new properties during the six-month transition period. At the same time, the Department and providers had to maintain business as usual arrangements to accommodate new arrivals.

⁷ The number of accommodated asylum seekers has increased since transition, and as at April 2013 there were around 23,000 in the Department's accommodation.

2.3 Transition took place at a challenging time for the Department. Organisational change in the former UK Border Agency led to the removal of the role of senior managers appointed to lead the COMPASS transition in each of the six regions. With the exception of Scotland, there were no immigration regional directors to deliver transition, and a central team had to perform this role with minimal resources available. Resources were further stretched by staff being asked to work at the UK border in response to industrial action by Border Force staff in summer 2012, and the secondment of staff to the Olympics programme around the same time.

2.4 The Department had extended many of the previous Target contracts for the duration of the planned transition. This was to maintain continuity of service and give the new providers time to negotiate with outgoing suppliers to take on their properties where possible, or to make arrangements to move occupants to new properties if agreements could not be reached. The Department told us that it had issued transition guidance to the providers detailing how they should handle the transfer of individuals and families to the new contracts, and had given them detailed information on the service user population, including those with specific medical needs and other special circumstances.

2.5 During transition, there were regular meetings between the Department's staff and providers, with providers producing weekly performance reports on their housing stock and moves by service users. Within the Department, there were monthly meetings of the central programme board, supported by weekly ministerial briefings, comprising both commercial and operational staff. At a regional level, transition managers and their teams were responsible for overseeing the day-to-day transition and providing a telephone helpline to support those affected.

2.6 **Figure 5** shows the key events during the transition period, which began in June 2012. The original deadline for contracts to become fully operational in October 2012 was achieved by Clearel in the London and South East region and Wales and South West region. Clearel experienced a relatively smooth and straightforward transition, because it was already supplying accommodation in these areas under the Target contracts. Serco completed transition in Scotland and Northern Ireland on time in September 2012, and then supported additional work to move service users as buildings were demolished in Glasgow as part of local planning changes. By contrast transition in the North West (Serco), and some of the G4S regions took longer than originally planned, but was completed before the extensions the Department had negotiated with the Target providers were due to expire, with the last region (North West) becoming fully operational in mid-December 2012.

Figure 5

Transition: Timeline of key events



Source: National Audit Office analysis

G4S and Serco's supply chain problems

2.7 The delivery model for the new contracts assumed that the providers would be responsible for setting up their own supply chains. In their bids, G4S and Serco had placed a strong emphasis on taking on properties from previous Target suppliers where possible, to minimise the effect on service users. During preparations for and in transition, however, it became clear that neither provider had firm arrangements in place. Both companies struggled to establish a robust and reliable supply chain within the original planned timescale, causing delays to transition and uncertainty for service users.

2.8 Both G4S and Serco told us that negotiations with the outgoing private- and public-sector Target providers in their regions had proved more challenging than expected:

- In the North West, Serco had hoped to subcontract to Priority Properties North West (PPNW), a company with a 28 per cent share of the market in this region under Target – but the two were unable to agree terms. Serco then bought out PPNW, taking over its properties directly, as well as stock from Target providers Happy Homes and United Property Management. Serco changed its delivery model in the North West during the transition period, bringing management and maintenance in-house.
- In Scotland, Serco experienced difficulties negotiating with its subcontractor Orchard & Shipman and with Y People, one of the outgoing suppliers. Shortly before the transition deadline, Y People asked for additional money for fixtures and fittings before it would agree to transfer the properties. Serco told us that it had to agree to this, given the approaching deadline.
- In the Midlands and North East, G4S failed to reach agreement at a late stage with its named bid partner United Property Management (UPM). UPM had a 50 per cent market share in the Midlands and 30 per cent in the North East, and G4S had to look for alternative housing stock at short notice. It was able to agree terms with another outgoing Target provider, but stakeholders in the region told us that this supplier was considered to be less experienced, and did not have such a good reputation among service users.

2.9 The North East and North West regions had a particularly high proportion of asylum seekers living in local-authority-owned properties. For example, the North West Consortium⁸ had a 30 per cent market share in that region (approximately 600 properties). In most cases, local authorities needed to take back these properties, meaning providers would have to find alternative housing stock. Serco and G4S told us that they experienced some problems working with local authorities during the transition, and that in some areas these problems have continued to affect their ability to source new housing stock. Further details on relations with local authorities are in Part Three.

2.10 G4S and Serco both said that the Department could have taken a more active role in some areas. For example, Serco felt that it was hampered in its negotiations by not being able to see the outgoing providers' exit plans, and that it was particularly affected by the North West Consortium's decision to split – which meant it had to negotiate with eight separate bodies, rather than one as originally expected. The Department told us that it had expected the providers to manage the transition and that it was not appropriate for it to engage directly in the commercial negotiations between G4S, Serco and the outgoing providers. The Department received regular progress updates and its staff were in regular contact with local authorities and the voluntary sector as part of its oversight role.

8 The North West Consortium was made up of eight local authorities in the North West region.

Impact on service delivery and actions taken by the Department

2.11 Between September and December 2012, the Department was unable to disperse newly arrived asylum seekers to some of the regions managed by G4S and Serco, as they did not have sufficient capacity. Service users were spending longer in initial accommodation due to the shortages of available dispersal accommodation, and targets to move service users to dispersal accommodation within 19 days were not being met. Both G4S and Serco were investing in improved initial accommodation in the North West and in the North East, Yorkshire and the Humber region, but this accommodation was not yet fully ready to accept additional service users.⁹

2.12 During the same period, Clearel accommodated up to 300 additional service users per week who should have been dispersed to initial accommodation in other regions. Clearel used a mixture of its existing initial accommodation capacity, emergency hotel accommodation and a newly acquired campus-style facility, Heathrow Lodge, which was used for both temporary initial and temporary dispersal accommodation for up to 350 people. The initial accommodation in Croydon experienced a 50 per cent increase in intake during September to December 2012. Furthermore, the use of Heathrow Lodge created additional pressure around transport arrangements, as it did not provide full board or access to all the support facilities offered in Croydon.

2.13 The Department had to implement its contingency plans to ensure continuity of service. It agreed additional contract extensions with existing providers, including local authorities, to give G4S and Serco more time to build up their supply chain and placed some service users in contingency accommodation. One local authority in the G4S North East region told us that it similarly had to manage the effect on service users in its properties because it did not know where they would be housed until late in the transition process. Most of the move activity took place towards the end of the transition period, when local authorities had already begun to downsize their housing teams, which placed more pressure on those staff that remained.

2.14 Implementing the contingency arrangements came at additional cost. Clearel estimates that it paid around £70,000 to accommodate the additional cases in London initial accommodation. This represents an additional cost to the Department which could potentially be recovered as part of ongoing commercial negotiations. The Department also paid £170,000 to extend its existing contract with the Yorkshire and Humberside Public Sector Group in the North East, Yorkshire and the Humber region. Local authorities also estimate that they incurred extra management costs during transition, but the Department has not yet received any claims regarding these costs.

⁹ Serco has invested more than £1 million to improve the standard of the initial accommodation in Liverpool. The NHS and Refugee Action charity now have accommodation on site, which offers a more streamlined service for asylum seekers.

Failure to inspect housing

2.15 In their bids, Serco and G4S stated that they would inspect all the housing stock they took on, and that they would not take on any properties that did not meet the required contractual standards (Part One), or that could not be brought up to standard through a reasonable level of the provider's own investment. The Department told us its transition plans and contract arrangements were designed to enable the new providers to carry out these compliance inspections and complete any remedial work during transition, before the key performance indicator (KPI) regime began.

2.16 During the transition, however, both G4S and Serco took on housing stock without inspecting it, and subsequently found that many of the properties they had taken on did not meet the contractual quality standards. Voluntary sector groups have also raised concerns with us over the quality of some of the housing that was offered to asylum seekers during the transition period. G4S and Serco told us that they chose to take on much of this housing stock as it was already in use by the previous providers (G4S took on 60 per cent of the properties being used under Target), and that they assumed it would be compliant with the contract standards. They were also keen to minimise the number of potential service user moves. This was in line with the Department's recommendation that disruption to service users should be minimised. They also told us that they were not able to inspect the properties as the outgoing providers would not allow them access until transition activity had commenced.

2.17 The issue of the quality of the housing stock transferred from the previous providers is currently the subject of an ongoing commercial dispute between G4S and the Department. G4S claims that the cost of bringing these properties up to the required standard is prohibitive and that the Department should have informed it of the condition of the stock it was expected to take on. G4S has also claimed that the contractual quality standards are different under COMPASS than under the previous Target regime. Serco is also in discussions with the Department about the costs associated with bringing properties up to standard. The Department argues that providers submitted their bids knowing that they would be taking on the risks associated with property standards, and that the providers supplied information and assurances during the bidding process about the processes they would follow before taking on properties. The Department told us that the standards are largely unchanged but are now being more rigorously applied under the COMPASS regime. The Department did not require outgoing providers to supply information on the condition of their housing stock as it was the new providers' role to carry out appropriate due diligence. Nor did it share information on previous suppliers' performance against contractual standards with the new providers, as Target providers considered this information to be commercially sensitive.

Impact on service users

2.18 Approximately 19,000 people were affected by the transition, and around 90 per cent of these were able to stay in their existing accommodation. Just over 2,300 people were required to move to new properties. The Department asked providers to give families at least 14 days' notice if they were required to move out of their current accommodation (10 days for individuals).

2.19 Approximately 650 families were asked to move and around 320 of these had children in school. The Department told us that moves involving these families were implemented with the consent of parents and that Department staff worked directly with service users, local authorities and providers to minimise the effects on families. At the request of its ministers, the Department asked the providers to agree all moves involving school-age children with the Department's regional directors, and to move families only during school holidays. The Department was unable to quantify the overall number of families with school-age children who did have to move during term time, as providers had not supplied this information for all regions. This affected 21 families in the North East and 32 in the Midlands. Serco told us that three families were affected in the North West.

2.20 Some service users and those working with asylum seekers were concerned by the change of contract. The Department was responsible for communicating with service users initially and explained in general terms the changes that were planned. The Department also briefed the voluntary sector and local government representatives at the National Asylum Stakeholders forum. The providers were responsible for later communications with those more directly affected, and for informing individuals and families where they would be required to move to new properties.

2.21 Representatives of asylum seekers we spoke to told us that the process could have been handled better for those who had to move. They felt that communication was patchy and some service users received mixed or confusing messages as to whether they would have to move, or were asked to move at short notice. Communications were not routinely translated, risking gaps in understanding for some of those affected. For example, the Department did not translate the initial letter to service users, but it did brief voluntary-sector organisations and require those in receipt of Departmental grants to provide support and guidance where needed. The voluntary sector supplied signposting to translation services, as did the providers. Providers did choose to translate in some cases: for example, Serco paid to have its letter to service users translated into 12 of the most commonly spoken languages.

Penalties for poor performance

2.22 The Department did not apply the contract performance regime during the transition period. Providers had to complete transition by the overall deadline, and were required to measure and monitor performance in line with the performance regime, but the Department did not apply any service credits for failure to meet the KPIs until the contracts were fully operational. Many of the issues that arose during transition remained unresolved, and continued to affect provider performance once the contracts became fully operational.

Part Three

Early operational performance

Introduction

3.1 All six COMPASS contracts became fully operational by January 2013. During the first six months of operation, providers continued to experience problems in supplying accommodation in line with the contractual requirements. This part of the report examines in more detail what has happened since the contracts became operational. This includes the performance of the three providers, the problems they have been experiencing in delivering the service, particularly with property standards, and the actions taken by the Department's contract management staff in response. This part also looks at the experience of service users under the new contracts.

Performance against KPIs

3.2 The Department monitors providers' performance against nine key performance indicators (KPIs) designed to improve the quality of services (**Figure 6**). Three of these relate to property standards. Where faults are identified, providers have a set timescale in which to complete repairs according to the severity of the defect (for example urgent problems such as gas leaks have to be made safe within two hours). Provider non-compliance such as failure to complete repairs within the timescale constitutes a KPI failure, and the provider may incur service credits and financial penalties according to formulas set out in the contract. Failure to meet targets for KPI 4 (accommodation standards: safe) can result in significant financial penalties for the providers.

Figure 6
COMPASS key performance indicators (KPIs)

Key performance indicator	Requirement	Target
KPI 1 Accommodation and initial accommodation proposals	Contractors issue an acceptable accommodation and initial accommodation proposal within five days of the request being made by the Department.	98%
KPI 2 Dispersal of asylum seekers	Contractors disperse or route asylum seekers to dispersal accommodation within nine days of an accommodation request being made by the Department.	98%
KPI 3 Transport to initial accommodation and accommodation and transport post-dispersal	Contractors transport asylum seekers to their allocated accommodation or destination in accordance with the arrangements set out by the Department, and provide a travel assistance service to asylum seekers for initial accommodation requests, accommodation requests and relocations – or to those who are eligible for transport for other reasons.	98%
KPI 4 Accommodation standards (safe)	Contractors place all asylum seekers in accommodation that is not assessed as being unsafe, as set out in the contract, and respond to any emergency action required within the specified response time.	100%
KPI 5 Habitable accommodation	Contractors place all asylum seekers in accommodation that is not assessed as having severe defects, as set out in the contract, and contractors maintain housing within the specified response time.	100%
KPI 6 Fit-for-purpose accommodation	Contractors place all asylum seekers in accommodation that is assessed as being fit for purpose, as set out in the contract, and contractors maintain housing within the specified response time. (This indicator relates to the number of service users, not the number of units of accommodation).	No more than ten failures in one payment period
KPI 7 Complaints management	Contractors provide the ways and means for asylum seekers to raise complaints, and seek to resolve any complaints within five working days.	99%
KPI 8 Provision of medical care to asylum seekers	Asylum seekers in obvious and urgent or specified need of medical care on arrival at the accommodation should receive direct support.	100%
KPI 9 Support tokens	Contractors provide an interim support token issuing service.	No more than two failures in one payment period

Source: Appendix 12 of Schedule 13 of the COMPASS contract

3.3 **Figure 7 and Figure 8** on pages 27 to 29 provide more detail on the reported performance of the three providers against some of these targets.

3.4 Providers failed to meet contractual standards and KPIs in a number of areas during the first few months of contract operation, notably on dispersal and property standards. Performance against dispersal targets has improved, but providers continue to experience problems in some areas. Although the reported quality of asylum housing as measured by KPIs is now improving overall, G4S and Serco are still failing to meet key performance indicators on contractual property quality standards for dispersal accommodation (Figure 8).

Figure 7

Performance against key performance indicators (KPIs),
January to June 2013

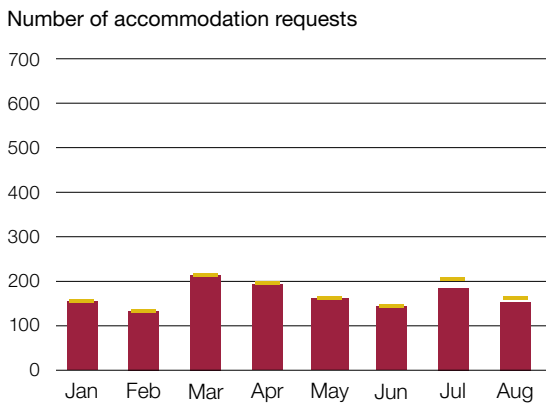
Provider	Summary of performance	Main issues and problems experienced
Clearel	Clearel has experienced problems meeting some KPIs on property dispersal. It has largely met targets on property standards with only minor issues reported.	<p>There is a high level of demand for single and self-contained accommodation in the London area, which is difficult to source within the required timescale and at an affordable rate.</p> <p>There have been difficulties obtaining approvals for new properties in some local authority areas in the South East.</p>
Serco	Serco failed to meet KPIs on dispersals and property standards in the first few months. Performance has improved, but Serco is still failing KPIs on property standards.	<p>Serco did not inspect properties taken on during the transition and subsequently found many did not meet the required standards.</p> <p>Repairs are not always completed within the required timescales due to maintenance backlogs.</p> <p>There have been difficulties sourcing new stock due to the wider housing market and challenging relationships with local authorities in some areas.</p>
G4S	G4S failed to meet KPIs on dispersals and property standards in the first few months. Overall performance has improved, but G4S is still failing KPIs on property standards.	<p>G4S did not inspect properties taken on during the transition and subsequently found many did not meet the required standards.</p> <p>Repairs and maintenance are not always completed within the required timescales, leading to KPI failures.</p>

Source: National Audit Office analysis

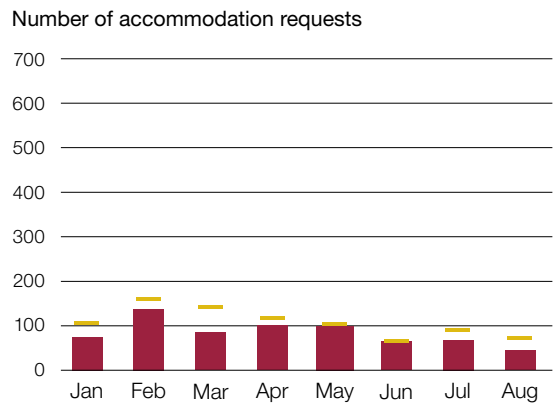
Figure 8
Examples of KPI performance by region

KPI 1: Provider issues acceptable accommodation proposal within required timescale
Achievement within target for dispersing to accommodation (KPI 1)

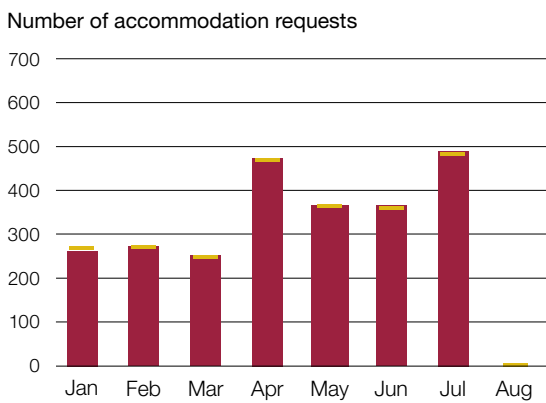
Clearrel (Wales)



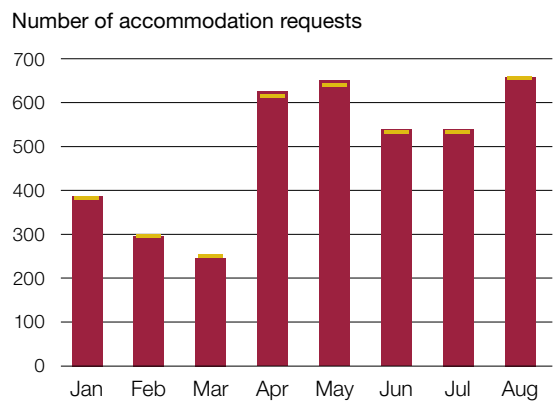
Clearrel (London and South East)



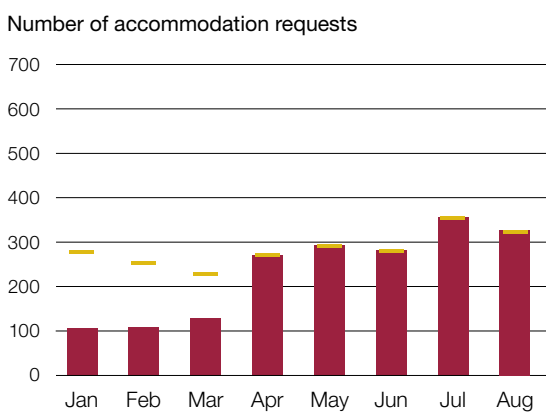
G4S (Midlands and East of England)



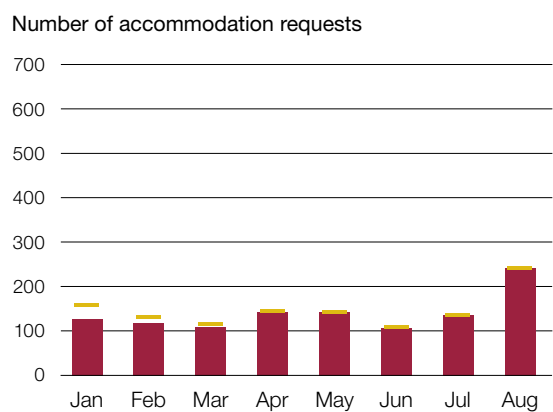
G4S (North East, Yorkshire and the Humber)



Serco (North West)



Serco (Scotland and Northern Ireland)

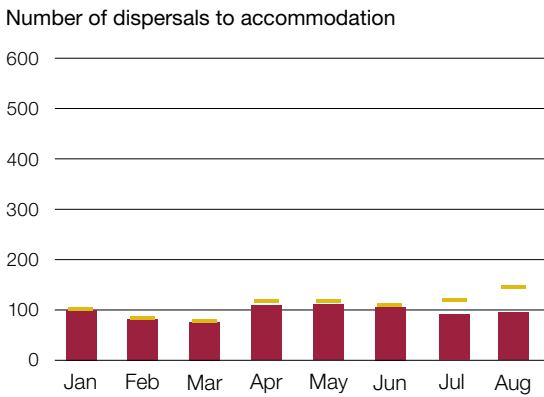


■ 98 per cent target

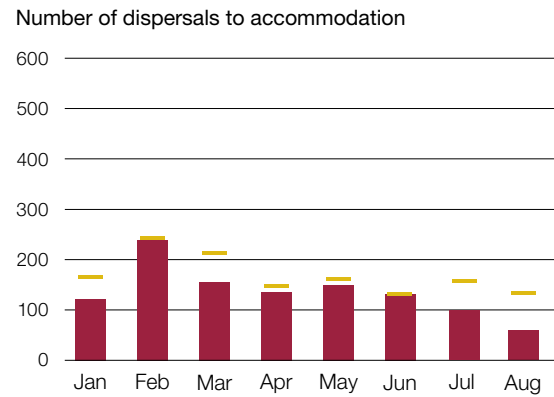
Figure 8 *continued*
Examples of KPI performance by region

KPI 2: Provider disperses service user to accommodation within agreed time frame
Number of dispersals to accommodation within agreed time frame against target (KPI 2)

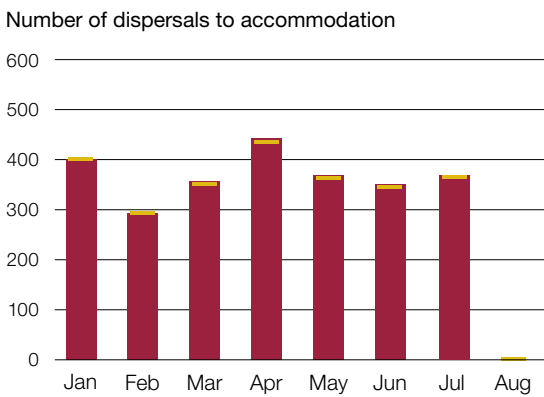
Clearel (Wales)



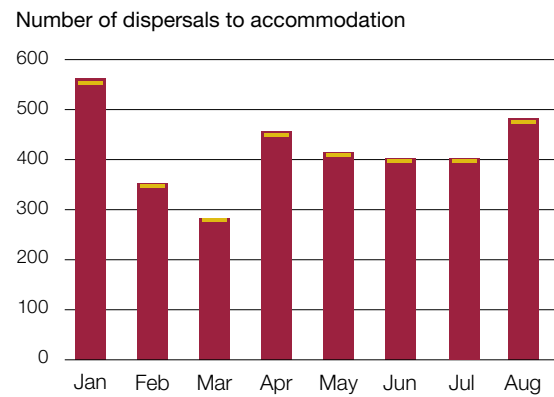
Clearel (London and South East)



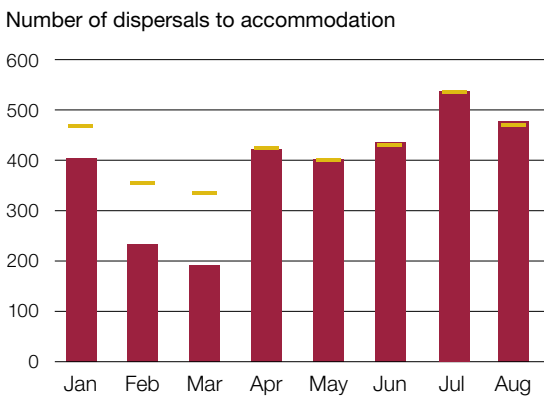
G4S (Midlands and East of England)



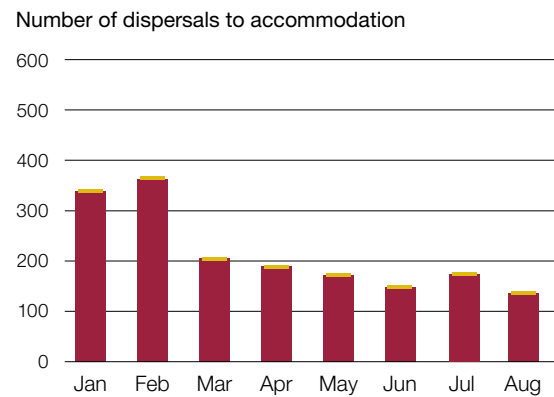
G4S (North East, Yorkshire and the Humber)



Serco (North West)



Serco (Scotland and Northern Ireland)

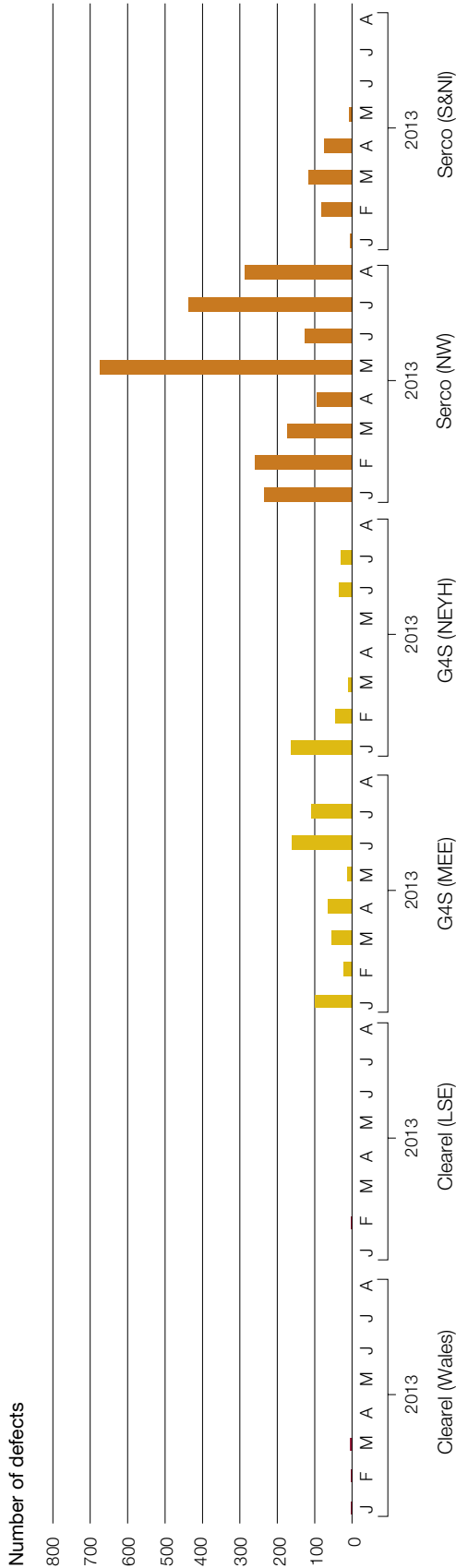


■ 98 per cent target

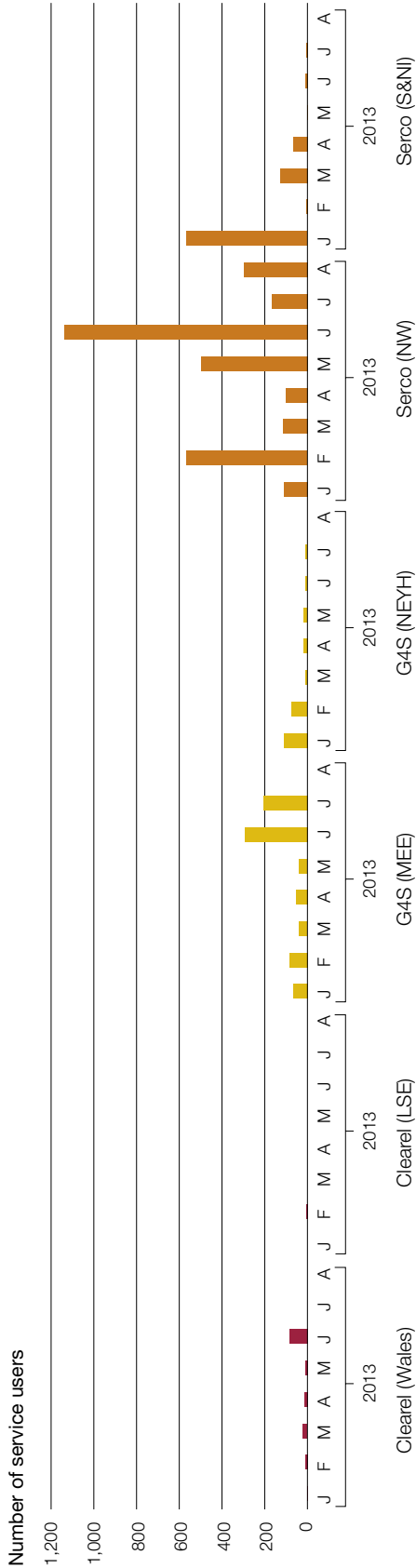
Source: National Audit Office analysis of provider monthly performance reports

Figure 8 continued
Examples of KPI performance by region

KPI 5: Number of service users housed in accommodation assessed as non-compliant and having severe defects



KPI 6: Number of Service Users housed in accommodation that has been assessed as not fit for purpose



Note

1 The provider is required to achieve 100 per cent compliance to meet KPIs 5 and 6, therefore all months with accommodation reported as having defects or assessed as not fit for purpose represent a KPI failure.

Source: National Audit Office analysis of provider monthly performance reports

Property standards

3.5 Both G4S and Serco told us that the condition of the housing stock they took on during transition continues to affect their performance against KPIs relating to property standards. As detailed in Part Two, this issue is currently the subject of a commercial dispute between the Department and G4S. The Department told us that problems are also being reported with new housing stock that was not taken on from previous providers. Under the contract, providers are required to inspect any new properties taken on to ensure compliance with the standards and to rectify any defects. In many cases, providers are identifying problems with properties through their own inspections, but are failing KPIs because they have not been able to complete maintenance work within the required contractual time frames.

3.6 The providers operate different delivery models across the regions. Serco now manages its own supply chain and maintenance operation in the North West, but G4S continues to subcontract to housing suppliers and landlords. G4S has experienced problems with some of its subcontractors since the contract became operational – for example, one subcontractor has failed to pay utility bills, resulting in problems for the occupants of the properties. The Department told us that it is aware of these concerns and is working with G4S to resolve the issues. The Department also considers that the contract makes it clear that providers are ultimately liable for the performance of their subcontractors, and for ensuring that all subcontractors abide by the terms of the contracts, particularly regarding completion of maintenance requests within the required timescales and property standards.

Sourcing suitable properties

3.7 All three providers told us that it is proving more difficult than originally anticipated to source properties of a suitable standard in an improving property market. Despite this, providers' performance in meeting the 19-day target to move asylum seekers from initial accommodation into dispersal accommodation is improving. Performance against this target can appear to fluctuate significantly, as one complex case can affect the average.

3.8 Clearel said it has found it difficult to meet dispersal targets in the London region due to the large number of special requests it receives in that area. Under the contract, the Department should disperse to London only in special circumstances (see Part One). Many special requests arise because individuals may be unable to share accommodation, or may require access to specialist medical care due to physical disabilities or psychological problems. London also has a high concentration of bail cases (where providers are required to supply an address for individuals on criminal or immigration bail); these cases have very specific requirements for property type and location depending on the nature of the offence (for example, some individuals on bail cannot be located near schools). It can be very difficult to source accommodation in London with such specific requirements, and single and self-contained properties for those who cannot share accommodation are particularly hard to find at an affordable rate.

Relationships with local authorities

3.9 All three providers told us that working with local authorities, which are key stakeholders under COMPASS, had been a greater challenge than anticipated in some areas, and that this was affecting their ability to source new housing stock. Providers must obtain a licence from the local authority for any properties used as shared accommodation ('houses in multiple occupation' or 'HMOs', defined according to local rules), and must seek approval for new properties they wish to use to house asylum seekers. Providers told us that during transition some local authorities were taking a long time to approve their requests or were refusing to approve properties in certain postcodes, even though these are within agreed dispersal areas. Providers had understood during the procurement that they would be able to work to the existing cluster limits regarding numbers of people who could be dispersed to an area (see Part One). In reality, however, providers now feel that some local authorities are taking too rigorous an approach to enforcing these limits or are invoking unwritten local agreements, which had not necessarily become agreed national policy.

3.10 Local authorities told us that they need to maintain some control over the flow of asylum seekers into their area, as they are responsible for maintaining community cohesion and managing any tensions that may arise and for managing the effects on local services such as healthcare and schools. Successful asylum applicants will often choose to remain in their local area, and the local authority may become responsible for housing them, increasing pressure on their own resources. The Local Government Association told us that they had concerns over how the contracts would operate as it perceives that providers have not allowed for local differences in housing markets. Under the contracts, providers are required to carry the risks which arise from properties being more expensive in certain areas. Local authorities are keen to ensure that the population of asylum seekers in individual towns and cities remains in proportion to the size of the local population, and that no location within a local authority area has too high a concentration simply because cheaper housing is located there. **Figure 9** overleaf and **Figure 10** on page 33 provide examples from the North West region and the North East, Yorkshire and the Humber region, which illustrate some of the tensions involved.

3.11 All three providers told us they would like to expand into new areas outside the agreed dispersal postcodes to increase their ability to respond flexibly to changes in demand. Any such change would be subject to local authority agreement and would require agreement as part of government dispersal policies. The current cluster limits of 1 asylum seeker per 200 people in a local authority area are based on the 2001 population, and local authorities told us that these figures are out of date and do not take into account other important community cohesion factors such as existing high migrant populations within certain areas. The Department told us that it has started national and regional level discussions with the Local Government Associations and Regional Strategic Migration Partnerships to look at current dispersal agreements. In addition, it wishes to negotiate options to consider the need for, and potential to, widen participating areas in some regions.

Figure 9**Case study: Serco and local authorities in the North West**

Serco has around 1,800 properties in the North West. It is permitted to accommodate service users in 12 local authority areas, which have agreed to take dispersed asylum seekers. Eight of these were in the North West Consortium, which provided accommodation as a Target supplier. When acquiring new properties, Serco is required to seek approval for the properties' postcode from the relevant local authority and to consult over community cohesion issues. Local authorities are keen to retain control over the make-up of the population in their area and over new arrivals, as they have to manage the longer-term impact on services and community tensions.

Serco told us that it understood that it would be able to accommodate service users within and up to the existing cluster limits, provided there were no potential problems in an area with pressure on local services or potential community tensions. In reality, however, it has found that some local authorities are not recognising the cluster limits, and are applying a ratio of 1 asylum seeker in 400 rather than the 1 in 200 of the local population specified in the dispersal policy. In addition, some local authorities are applying the cluster limits at the level of individual wards, rather than overall for the local authority area. Some local authorities have refused requests for new properties, and this was a particular problem in the first few months of 2013. Where local authorities did approve requests, this was taking longer than the standard two weeks in some cases, resulting in Serco losing the property or having to pay rent on a property which remained unoccupied. Some local authorities have also been reluctant to agree requests for HMO licences.

Serco told us that the Department's Service Delivery Manager (SDM), and the Regional Strategic Migration Partnership, should and do play a role in arbitrating in difficulties between providers and local authorities. The Partnership has not been active in the area, and there has been nobody in the SDM role since March 2013. Taken together, this has impacted on their ability to source new housing stock. Serco told us that relationships have improved, but some local authorities remain reluctant to take new arrivals. For example, one local authority did not wish to take any additional asylum seekers in its area, although it was operating below the cluster limit, as it was concerned over the impact on school places. It is now accepting dispersals, but only to a reduced number of wards. Serco has also approached another local authority with requests for new properties, but has been given a clear message that new dispersals to the area will not be accepted due to concerns over community cohesion. Serco told us that some local authorities have also been reluctant to approve licences for shared accommodation (Houses in Multiple Occupation, or HMOs), as they have their own requirement to provide similar buildings for student or other accommodation and wish to restrict the overall numbers of such properties in their area.

Source: National Audit Office analysis

Figure 10**Case study: G4S and local authorities in the North East, Yorkshire and the Humber region**

G4S has around 1,550 properties in the North East, Yorkshire and the Humber region. Relationships with local authorities in the area are varied. Like Serco, G4S told us that some local authorities have applied different interpretations of the cluster limits from those which they had expected during the bidding process, although they were provided with information on the agreements in place at the time.

Local authorities are applying cluster limits at a local level, as they are concerned about 'parity' – that is, they wish to maintain the population of asylum seekers in individual towns or local wards in proportion to the overall population of that area, in order to maintain community cohesion. Definitions of parity vary slightly across the G4S regions, with a different formula used in North East, Yorkshire and the Humber to those applied by local authorities in the East and West Midlands.

Local authorities are particularly concerned about the impact on some of the smaller towns in the area. For example, during transition G4S was permitted to accommodate additional service users in Rotherham, where there was more availability of housing, on a temporary basis; however, the local authority is concerned that G4S has continued to do this since the contract became operational, as the town currently has the highest number of asylum seekers in the region, including higher numbers than in Leeds, the biggest city in the area. The Department has asked G4S to reduce the numbers accommodated in Rotherham to a more sustainable level. G4S has also been operating above the 1 in 200 limit in Middlesbrough.

The local authority in Wakefield is currently in dispute with G4S over the operation of its initial accommodation facility in the town. The facility has planning permission for 200. G4S told us that it is applying to increase this. The local authority told us that in the meantime, G4S has continued to accommodate more than 200 service users in the initial accommodation, which the local authority considers is a breach of local planning law. The local authority formally complained to the Department about G4S breaching the agreed local planning permission capacity for the facility. The Department has formally investigated and confirmed that G4S are only permitted to accommodate 200 in this facility. Since the outcome of the investigation, G4S has continued to house more than 200 people in the initial accommodation.

Source: National Audit Office analysis

Managing demand

3.12 The Department told us that predicting the flow of asylum seekers is challenging, as it is very much dependent on future world events. Since the new contracts were signed, there has been a slight increase in overall demand for asylum seeker accommodation (**Figure 11**). Under the contract, providers are required to maintain a flexible portfolio of properties to meet changing demand. Actual intake levels are currently in line with the Department's highest modelled predictions. During the bidding process the Department provided historical information on service user demand, but providers claim this does not match the reality they face in delivering the service, and that the level of turnover is also higher than predicted. Both Serco and G4S claim that the mix of single users and families is different than expected, which affects the housing stock they can use. It can be more difficult to procure new properties for single users as shared accommodation requires a licence from the local authority, Clearel has experienced a higher than expected level of requests for special properties in London (paragraph 3.8). The Department produces its own forecasts of demand, but does not currently share these with the providers.

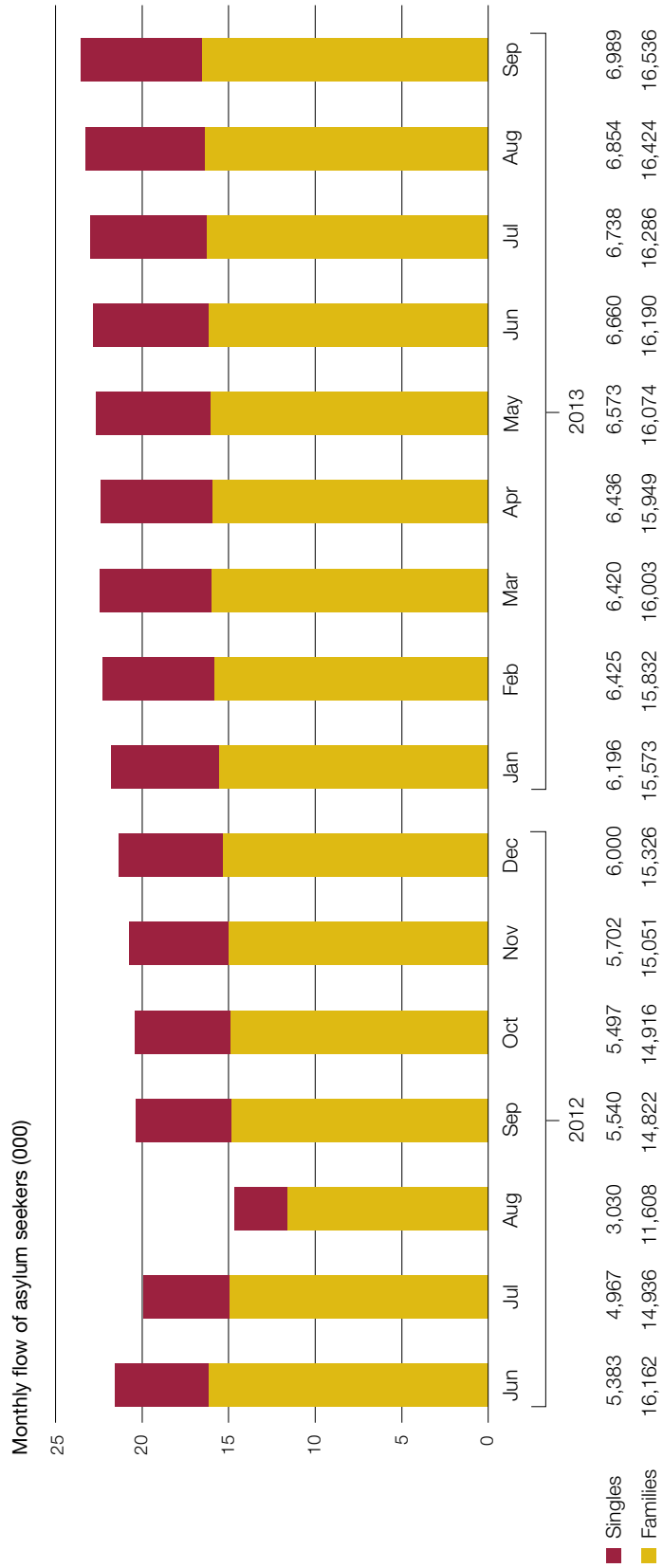
The Department's oversight

3.13 The Department has not yet been able to transfer risks around compliance activity to the providers as planned. In response to the concerns over property standards, the Department put in place its own programme of property inspections, with the aim of covering all properties by May 2014. Inspections completed to date have confirmed that many properties remained below the required standard at the time of inspection (**Figure 12** on page 36). The Department has used its existing contract management and contract compliance staff to carry out these inspections, potentially neglecting other assurance and compliance activity. The cost of this additional compliance may reduce the savings the contract was designed to achieve.

3.14 The COMPASS contracts and associated KPI regime allow the Department to apply service credits (a rebate to the Department) in the event that the provider has not met the agreed KPI target. The Department had the ability to apply service credits from January 2013 when the contracts became fully operational and has done so since that date for Clearel and with effect from July 2013 for G4S and Serco. Both G4S and Serco reported failure to achieve KPIs during the period January to June 2013 for which the Department is entitled to apply service credits. The maximum potential amount owed by Serco could be up to £2 million while G4S expect the final value to be somewhere between £1.5 million and £2 million. The Department told us that it has taken steps to recover these amounts and that it is working closely with providers to agree the final amount of service credits that are legitimately owed in accordance with the contracts. Both providers told us they are committed to paying an agreed final amount once negotiations have concluded and are working with the Department to improve performance. No formal contract changes have been agreed to date. In October 2012, the Department agreed to give Clearel a small increase in charging rates, and to suspend service credits for a three-month period. This was in recognition of the specific complexities around dispersal requests for specialist needs in London, and to give Clearel sufficient time to procure suitable properties.

Figure 11
Demand for asylum accommodation

Since the new contracts were signed there has been a slight increase in overall demand for asylum seeker accommodation



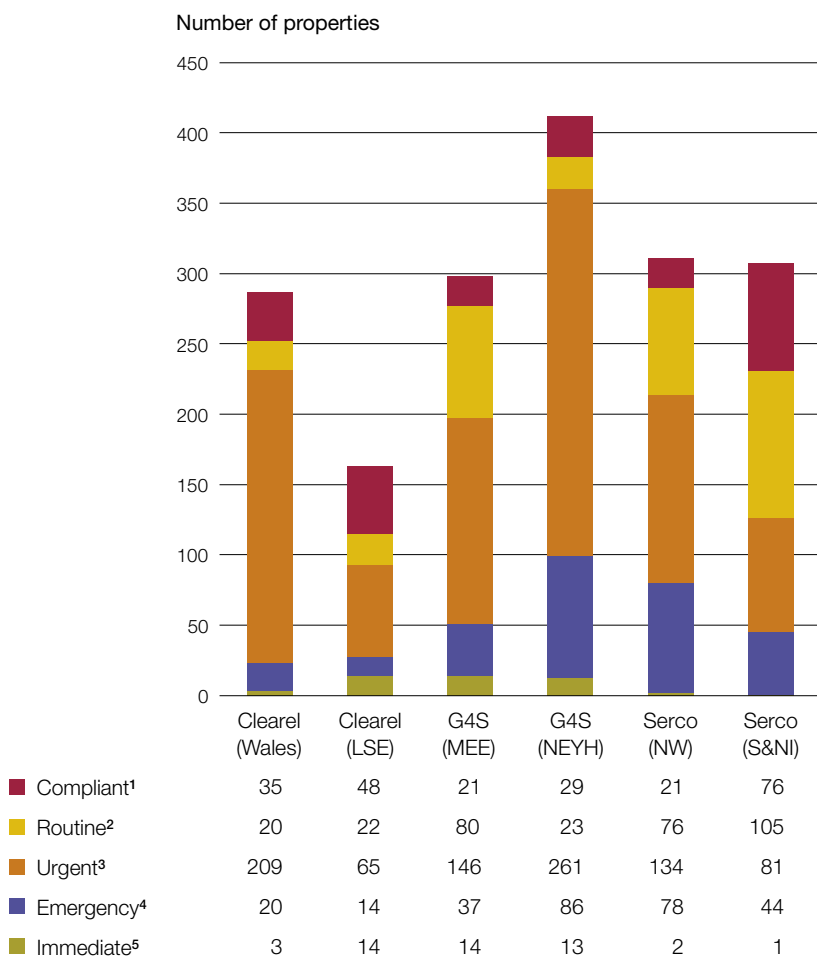
Note

1 This graph shows only those asylum seekers accommodated under the COMPASS contract, and not those asylum seekers still being accommodated under the Target contract. The first of the COMPASS contracts were full operational from the end of September 2012.

Source: National Audit Office analysis of Department data

Figure 12
Department’s property inspections, (January to August 2013)

The results show all inspections completed during the period January to August 2013. Some properties may have been inspected more than once.



Notes

- 1 Compliant with requirements.
- 2 Works (which are not Immediate, Emergency or Urgent) which are necessary to rectify the condition of the accommodation where the condition of the accommodation is such that the works can be deferred without causing serious discomfort or inconvenience to the service user, or damage.
- 3 Works (which are not Immediate, Emergency or Routine) which are necessary where the condition of the accommodation is such that there has been an adverse effect on the comfort of a service user or is likely to lead to serious damage.
- 4 Works (which are not Immediate, Urgent or Routine) which are necessary where the condition of the accommodation is such that there may be a material adverse effect on a service user’s health, safety or security or disruption or loss of a fundamental service or facility to the accommodation.
- 5 Works (which are not Emergency, Urgent or Routine) which are necessary where the condition of the accommodation is such that there has been an adverse effect on a service user’s health, safety or security or disruption or loss of a fundamental service or facility to the accommodation.

Source: National Audit Office analysis of Department data

3.15 All three providers told us they believe that the Department's application of the current KPI regime is too rigid, and that it needs to be reviewed. For example, properties may be structurally sound, but may lack some fixtures and fittings and as a result would be considered in breach of contractual standards, which could incur a KPI failure and financial penalty. The Department agreed that the regime does not provide incentives for performance beyond achieving the minimum standard required, and told us it is currently reviewing the KPI regime in view of the providers' concerns.

3.16 The Department's approach to contract management and relations with contractors varies across the regions. In many areas, despite the problems, relations remain positive and there is a commitment to resolving the outstanding issues and making the contracts work.

Service user experience

3.17 The Department and providers have not yet carried out any surveys or focus groups with service users to look at their experiences under the new contracts. Service users, and their representative groups, however, can and do continue to raise concerns over their experiences under the new arrangements either directly with the Department or through voluntary sector groups. Without robust evidence we have relied on anecdotal evidence and discussions with a number of relevant representative bodies and interest groups that have raised concerns with us during our investigation. This means we cannot quantify the extent to which these concerns occur in day-to-day service delivery. The Department told us that it receives around 50 formal complaints a month from service users (it received 309 complaints between January and June 2013). **Figure 13** overleaf provides examples of some of the main concerns raised with us by those who contacted us during our investigation.

3.18 Service user representatives told us that the quality and approach of housing officers varies. Housing officers are responsible for visiting and inspecting properties regularly in line with contractual requirements, but they also have a key welfare role in managing service user expectations and behaviour, checking that occupants are in residence, resolving issues and facilitating access to support.

3.19 All three providers told us that the level of service user damage to properties is higher than they anticipated in some areas. Service users' responsibilities regarding the upkeep of their property should be explained to them when they move in, but some occupants do not always adhere to the rules. Service user damage affects the quality of properties and can increase repair costs. Housing officers have limited ability to sanction occupants where this occurs and there are no financial penalties. They can issue warning letters, and refer more serious issues to the Department and to asylum case workers, but it is not always clear to housing staff whether action is taken.

Figure 13

Service user concerns

Issue	Detail/example	Provider response
Properties do not address service user needs	Families and vulnerable individuals are not being housed in suitable properties. Providers lack understanding of the needs of people from different faiths and cultures when allocating them accommodation.	G4S told us that they allocate properties to asylum seekers according to the rules set out in the contract. Where families request to move if a property is not suitable, these requests have to be approved by the Department. Serco told us that it only procures properties that meet the contractual standards, and that it provides information on places of worship and other facilities in its orientation information.
Poor quality properties	Providers are not maintaining properties, or responding in a timely manner to requests for repair work.	G4S told us that it carries out property repairs within the agreed time frames and it is carrying out a programme of improvements to its properties. Serco told us that its performance on property standards is improving. It has invested £195,000 in bringing the properties it took over in the North West up to standard.
Properties not properly equipped	Both initial and dispersal accommodation properties do not have the correct kitchen equipment, bedding or furniture.	G4S told us that this applies only to a small proportion of its dispersed accommodation, and that it resolves any issues within the required time frames. Serco told us that it invests heavily in the equipment provided for each property, and that it also provides equipment which is not required under the contract such as vacuum cleaners.
Failure to resolve issues	Service users often have to escalate problems through third parties, such as advisers or advocates, in order to see improvements made.	Serco told us that service users have direct access to housing officers during the working day and an out-of-hours number at night. It also has a dedicated email address and links with advocates through its partnership team, which helps to resolve issues quickly.
Families being moved frequently, or at short notice, with little or no explanation	This was a particular issue during transition, but service user groups claim it remains a problem in some areas now the contracts are fully operational.	Under the contract, providers are permitted to move service users a maximum of twice in 12 months. Serco told us that it complies with this contractual requirement other than specific requests by the Department to move service users.
Service users' lack of understanding, and communication difficulties	Service users do not understand their general rights under the contracts, including how to complain if they are not satisfied. Information is not routinely translated, and it is the providers' responsibility to ensure asylum seekers have understood the information they receive, using interpreters if necessary.	G4S told us that the information service users require is clearly set out in the arrival pack provided in their accommodation. Serco told us that all housing officers have access to a telephone interpreting service which they are required to use to support communication with service users who speak limited English. Their welcome packs contain details of how to make complaints.
Provision of information	Welcome packs should be provided when arriving in new accommodation, but these are often absent. The packs are not routinely translated.	G4S told us that the welcome packs it provides are available in several languages. Serco told us that it makes use of its telephone interpreting service to ensure service users understand the content of the welcome packs.
Feeling unsafe in asylum accommodation	Some service users feel vulnerable in their allocated accommodation, particularly if they are sharing with other individuals, or due to its location.	Serco told us that it works closely with the Department's safeguarding and operational teams and with police and social services to address any issues raised in respect of service user vulnerability.
Behaviour of provider staff	Some staff are carrying out unannounced property inspections or visits, and do not give service users notice of these. In some cases, provider staff are entering properties without knocking, which some female asylum seekers reported made them feel unsafe.	G4S told us that it tries to plan as many visits as possible, but that it does have to do some unannounced visits to check service users are still living in their accommodation. Its staff should always knock before entering a property. Serco told us that it requires staff to give the maximum notice possible of visits, and provides instructions on the standards of behaviour expected on visits to properties.

Source: National Audit Office analysis

3.20 During the fieldwork for our investigation, we visited a sample of properties used to house asylum seekers. In some of these, it was clear that the occupants may have a level of income above that expected of someone receiving the minimum level of support under section 4 or section 95 of the Immigration and Asylum Act 1999. There is a risk that individuals or families may be occupying properties to which they are not entitled, thus taking resources away from those more in need. Where housing officers see signs of wealth on their regular inspections, indicating that the occupant may have a higher level of income, they have a contractual duty to report this to the relevant authorities in the Department within one working day.

3.21 Service user representatives told us that the process for asylum seekers to lodge a complaint is not working as well as it could. Service users may not be willing to complain, because they fear that it will affect their asylum claims and because they are unfamiliar with the process. We heard from a number of sources that information packs with the contact details to make complaints are not always provided. Those service users that do complain feel their complaints are not always being addressed.

3.22 The Department told us that providers are not recording complaints consistently, and that the quality and reliability of management information on complaints is poor. The Department and providers do not agree on a consistent definition: the Department defines a complaint as any expression of dissatisfaction, but the contractors define complaints more narrowly. There have been disagreements between the Department and providers over whether particular communications are queries or complaint and this is the subject of ongoing discussions.

Appendix One

Our audit approach

Interviews and visits

- 1 Between August and October 2013 we carried out semi-structured interviews with:
 - key personnel at the Department – including central and regional contract management and operational staff;
 - key personnel from G4S, Serco and Clearel – including senior management and operational staff; and
 - key stakeholders, such as representatives of local authorities.
- 2 We also visited a selection of initial and dispersal accommodation provided for asylum seekers in London, the North West, and the North East, Yorkshire and the Humber regions.

Reviewed formal documentation and quantitative data

- 3 We reviewed the COMPASS contracts and supporting formal documentation in order to understand the requirements placed on the three providers. We also analysed the Department and provider quantitative data about the contract and the providers' performance during transition and since the contracts were fully operational. This included a review of the results from Department's inspections of asylum accommodation.

Stakeholder consultation

4 We invited a range of stakeholder groups to contribute to our investigation. The main groups we consulted were:

- Refugee Action – a charity that works with asylum seekers and refugees, providing support on a range of issues and campaigns on their behalf.
- Freedom From Torture – a charity dedicated solely to the treatment of survivors of torture.
- The Children’s Society – a charity that supports, and lobbies on behalf of, children, including those at risk on the streets, disabled children, young refugees, young carers or those within the youth justice system.
- The Refugee Council – a charity working directly with refugees, supporting them to rebuild their lives.
- The Scottish Refugee Council – a charity working to ensure that all refugees in Scotland are treated fairly, with dignity and that their human rights are respected.

5 We also received written submissions from:

- The South Yorkshire Migration and Asylum Action Group – a broad-based group acting together for asylum and migrant rights.
- Befriending Refugees and Asylum Seekers (BRASS) – a charity working exclusively for the benefit of asylum seekers, refugees and refused asylum seekers living within the Metropolitan Borough of Bolton.



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