



National Audit Office

Report

by the Comptroller
and Auditor General

Home Office

Asylum accommodation and support

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Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

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This report examines the government's replacement of the COMPASS contracts for accommodation and support for asylum seekers, with seven regional accommodation contracts and the national AIRE (Advice, Issue Reporting and Eligibility) contract, which began operating in 2019.

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Key facts

£4.0bn

estimated total value of the new asylum accommodation contracts and the AIRE support service, 2019 to 2029

48,000

asylum seekers in accommodation under new contracts, March 2020

96%

increase in asylum seekers in initial (short-term) accommodation, July to October 2019

£560

estimated cost per month for each accommodated asylum seeker compared with £437 under previous COMPASS service – a 28% increase

5%

the number of accommodated asylum seekers who had to relocate during the transition to new providers, compared with 10% when contracts transitioned to COMPASS in 2012

26 days

the average time that accommodated asylum seekers spent in initial accommodation before being rehoused in longer-term accommodation, between September 2019 and February 2020. The Home Office (the Department) expects most people to be rehoused within 35 days

more than 1,000

accommodated asylum seekers in hotels each night, October 2019 to March 2020

2%

of calls to the Advice, Issue Reporting and Eligibility (AIRE) service answered within 60 seconds, against performance standard of 90%, September to December 2019. The service answered 94% of calls within 60 seconds in February and March 2020

47%

of local authorities (180 of 382) have agreed to house asylum seekers in their area, March 2020

Summary

1 The Home Office (the Department) provides accommodation and support for asylum seekers and their families while their cases are processed, under the UK government's international obligation to support asylum seekers who would otherwise be destitute. The number of accommodated asylum seekers has more than doubled since 2012, to around 48,000 in March 2020, but has been relatively stable since the beginning of 2019.

2 From 2012 to September 2019 the Department provided these services through six regional contracts, known as COMPASS. We, as well as Parliament's Committee of Public Accounts and its Home Affairs Select Committee, have examined COMPASS previously.¹ We found that providers had struggled to establish their supply chains, resulting in poor performance, delays and additional costs for the Department. We summarise our and others' previous recommendations in Appendix Three.

3 In 2019 the Department replaced COMPASS with seven similar regional contracts for accommodation and transport (the accommodation contracts), plus a national contract for a new helpline and support service (AIRE – Advice, Issue Reporting and Eligibility). The Department awarded the accommodation contracts to three providers – Clearsprings Ready Homes (Clearsprings), Mears Group (Mears) and Serco – who each took on two or three UK regions. Migrant Help won the AIRE contract. Following a transition period from COMPASS, the new contracts became fully operational from September 2019, as the Department had planned. The new contracts have a total estimated value of £4.0 billion over 10 years, from 2019 to 2029.

¹ Comptroller and Auditor General, *COMPASS contracts for the provision of accommodation for asylum seekers*, Session 2013-14, HC 880, National Audit Office, January 2014. HC Home Affairs Committee, *Asylum accommodation*, Twelfth Report of Session 2016-17, HC 637, January 2017. HC Home Affairs Committee, *Asylum accommodation: replacing COMPASS*, Thirteenth Report of Session 2017-2019, HC 1758, December 2018. HC Committee of Public Accounts, *COMPASS: Provision of asylum accommodation*, Fifty-fourth Report of Session 2013-14, HC 1000, April 2014.

4 This report assesses the Department's early progress towards achieving value for money from the new contracts, measured against its key objectives and taking into account lessons learned from the COMPASS contracts. We assess whether the Department:

- ran a competitive contracting process with a fair balance of risk and reward for providers, leading to sustainable services at a reasonable price (Part Two);
- is providing appropriate housing and support for all accommodated asylum seekers including vulnerable people, with robust contract management (Part Three); and
- has set up a flexible service which can be varied according to demand (Part Four).

5 We carried out our audit work from December 2019 to February 2020, before the COVID-19 pandemic began to significantly affect the UK. We therefore have not assessed the impact on the service of the measures taken by the Department and providers to protect their workforces and supported asylum seekers. Performance data in this report are for September 2019 to March 2020.

Key findings

Sustainable services

6 The Department did not have enough time before COMPASS expired to consider all options for redesigning the service. COMPASS was due to end in 2017, but the Department only started to consider how to replace it in 2016. As such, the Department extended the COMPASS contracts to September 2019 and began to consider a range of options for their replacement. It concluded that there was insufficient time and market appetite to design and implement more radical options, while maintaining the services (paragraph 2.2 and Figure 3).

7 The Department is paying an estimated 28% more to providers after finding that COMPASS was under-priced and negotiating service improvements.

The Department estimated that on a like-for-like basis, the new contract should cost at least 20% more than COMPASS. The 'reverse auction' process used to award the COMPASS contracts had produced unsustainably low bids. Accommodation providers in two of the six COMPASS regions made losses in 2014 and two subsequently made 'onerous contract' provisions in their accounts totalling around £216 million. In its first full year, the new service costs some £560 per month for each accommodated asylum seeker, compared with £437 under the last full year of COMPASS – a 28% increase, although this estimate is sensitive to the assumptions used. The Department negotiated improvements to the service in return for paying providers more, such as additional household goods and more information for those using the service (paragraphs 2.3, 2.4, and 2.8, and Figure 4).

8 There are indications that the Department could have secured better prices for the new contracts. The size of the contracts and the market perception of COMPASS limited competition. In our view, if there had been more suppliers taking part in the competition, the Department may have been able to secure better prices. The Department awarded three regions to the sole bidder and had to restart the competition in two regions as there were no initial bids. It is possible that the Department's negotiating position could have been stronger if it had a better understanding of what the service should cost. The Department compared bids to average rent prices and concluded the price was reasonable. Providers new to the service or taking over new regions told us that while preparing their bids, they would have preferred more data on the properties used under COMPASS and on expected future demand, and so included this uncertainty, along with other factors, in the risk modelling which underpinned their prices. The Department estimated that providers could make profits of between 5% and 13%, which the Department compared with 3%–6% profit in the general market for outsourced services (paragraphs 2.4, 2.5, 2.9 and 2.10, and Figure 5).

Appropriate accommodation and support

9 The Department made improvements to accommodation and support services with the intention of better supporting asylum seekers. It introduced a new national AIRE service, run by Migrant Help, so that asylum seekers could raise issues and access support independently from the Department and the accommodation providers. The Department also made some improvements to the accommodation contracts, including introducing contractual requirements to focus on vulnerable people and to provide single-gendered washing facilities in the initial (short-term) accommodation. Voluntary sector organisations who work with asylum seekers supported these changes (paragraphs 2.3, 2.12 and Figure 4).

10 The majority of accommodated asylum seekers did not have to relocate during the transition to new providers, although in one region there was a serious risk of disruption to around 3,600 people. The majority of the 48,000 people who were in accommodation during the contract transition stayed in their housing. Only 5% of people (around 2,500) had to move, compared with 10% when contracts transitioned to COMPASS in 2012. In the North East, Yorkshire and the Humber region the new accommodation contractor, Mears, did not reach agreement with a major COMPASS subcontractor, Jomast Accommodation Ltd (Jomast), to continue under the new service. As a result, those housed in Jomast-managed properties were at risk of having to move to temporary accommodation at short notice. Mears ultimately moved around 2,500 people into other properties by early 2020. This issue required intensive management input from the providers, the Department and local authorities (paragraphs 3.7 to 3.9).

11 Accommodation providers are now broadly meeting performance standards set by the Department, but providers new to their contract regions struggled in the early months. The Department monitors accommodation standards and providers' responsiveness through its performance framework. Since September 2019, providers have typically failed to meet targets on finding suitable dispersed accommodation and moving people into it quickly enough, and targets to address maintenance issues which were not emergencies on time. However, providers have on average improved their performance on addressing emergency maintenance issues and on resolving people's complaints. Both Serco and Mears told us that some houses they took over from the outgoing provider were below the standards required by the new contract, which has different standards from COMPASS. This increased the volume of maintenance work required and made it harder to move people into longer-term housing on time (paragraphs 3.10 and 3.11, Figure 7, Figure 8 and Figure 9).

12 The new advice and support service, AIRE, failed to meet supported asylum seekers' needs in its first few months. Between September and December 2019, Migrant Help answered only one-fifth of calls as call volumes were higher and calls took longer than it planned. Migrant Help answered just 2% of calls within 60 seconds, against an expected 90%, with one-fifth of those calling the service waiting for more than an hour. Call waiting times have improved as Migrant Help has recruited more staff and in February and March 2020 Migrant Help answered 94% of calls within 60 seconds. However, callers are still facing long delays in being transferred to a specialist adviser when required, and several other AIRE services are not meeting expected standards (paragraphs 3.19 to 3.24, Figure 12 and Figure 13).

13 The AIRE service is not yet sufficiently integrated with the accommodation providers to provide an efficient service for asylum seekers. The accommodation and AIRE contracts required providers to have systems in place to share data efficiently by the time the contracts were operational. The accommodation providers and Migrant Help told us that their systems are not automatically linked together, or to the Department's information on asylum applicants. This means that AIRE calls are lengthened while call handlers gather basic information on the caller, such as who they are and where they live, rather than having this available in a database. It also results in inefficient email traffic between the different organisations, increasing the risk of errors. It is not clear when these issues will be resolved (paragraph 3.6).

14 The Department could make better use of information, to assure itself and others that providers are delivering services that meet people's needs.

The Department primarily relies on providers to submit their own performance data, as it can only carry out some checks against the Department's own data. We have seen instances where providers reported incomplete or late data. The Department does not yet monitor all other contractual requirements. The Department is not yet using the AIRE service to its full potential, for example by using aggregate and trend data to resolve issues raised by stakeholder organisations or monitoring how vulnerable people are safeguarded. Stakeholders, including voluntary sector organisations and local authorities, told us that they would like information on the performance of the service to help them better support people. However, the Department does not currently publish data on the contracts' performance, contrary to the government's current policy (paragraphs 3.26 to 3.29).

Flexible services to meet changing demand

15 Most accommodated asylum seekers have been moved from initial accommodation into longer-term housing within a few weeks, although some have stayed much longer. Within an overall increase in the number of people entering the asylum support system, between July and October 2019, the number of people in initial accommodation increased by 96% from 1,678 to 3,289. Since then, the number has averaged 2,800, of which more than 1,000 people have been in hotels each night, rather than in dedicated housing for asylum seekers. Despite this increase, the number of people in longer-term housing has fallen. Between September 2019 and February 2020, on average people spent 26 days in initial accommodation before leaving, in line with the Department's expectation of up to 35 days for people with straightforward needs. Some people have stayed much longer. For example, 981 people who had arrived by the end of December 2019 were still in initial accommodation on 24 March 2020, a stay of at least 86 days. While in initial accommodation and hotels, asylum seekers cannot register with a GP or send their children to school. The performance framework may encourage providers to prioritise new arrivals over those who have already been in initial accommodation for a long time (paragraphs 1.5, 3.14 to 3.18, Figure 10 and Figure 11).

16 The Department does not regularly indicate to providers the potential demand for services, limiting providers' ability to plan their services. Unpredictable events such as conflicts overseas or the spread of COVID-19 means it is difficult to accurately forecast the number of people that will claim asylum and therefore need support. The Department does not have a single, integrated process to forecast demand. It has not updated its accommodation forecast since 2019. Accommodation providers told us that a lack of information on future demand made their planning harder. It is likely that the providers built this uncertainty into their bids, increasing their pricing. The Department has started work to improve the way it models accommodation demand. It does not have a model for predicting the demand for support from the AIRE service (paragraphs 4.2 to 4.4).

17 The Department may have to negotiate changes to the contracts and pay more to achieve its aspiration to redistribute supported asylum seekers more evenly across the country. In July 2019 the Department and local authorities agreed a plan for the proportion of supported asylum seekers housed in each government region to reflect each region's share of the UK population, by 2029. At current volumes, this would mean more than doubling the number of people in the South region. The Department has not calculated what this might cost. Given higher prices in the South, we estimate this would cost an additional £80 million. As the provider in the South is already very close to accommodating the maximum number of asylum seekers in its contract, the Department would need to renegotiate prices should numbers increase. Meanwhile, the Department wants to increase the number of local authorities (180 of 382 authorities or 47%, in March 2020) agreeing to house asylum seekers in their areas. This will be challenging as local authorities face increasing financial pressures and the Department will need to consider a range of factors, such as whether more rural locations are suitable for people's needs (paragraphs 4.7 to 4.11, Figure 14 and Figure 15).

Conclusion on value for money

18 It is too early in the life of these contracts for us to reach a definitive value-for-money assessment of the Department's current asylum accommodation and support service. We can, however, judge the actions taken to date, as well as the foundations laid for the future of the service. The Department aimed to deliver an improved service that would be sustainable at a reasonable price, meet people's needs and can be flexed to respond to changing demand.

19 Against these objectives, the Department is paying more to providers after finding that COMPASS was under-priced and negotiating improvements to the service. Accommodation providers are now beginning to meet service standards, but the AIRE service failed to meet asylum seekers' needs in its initial months and, despite some improvements, has not yet delivered consistently acceptable performance. Also, the Department faces challenges in adapting services to changing demand and in delivering its plan to redistribute people across the country. To date, the Department has shown that it has learned from the COMPASS contract and has laid the foundations for a better service. The Department now needs to address the challenges we identify, to deliver value for money over the life of these contracts.

Recommendations

20 The Department should:

- a **build on its existing work with Migrant Help, to improve the performance of the AIRE helpline.** Now that Migrant Help is answering calls more quickly, the Department should focus on other aspects of the AIRE contract such as inductions for those using the service, to ensure that Migrant Help delivers all its responsibilities to the required standards;
- b **review providers' approach to reducing the time that people are spending in initial accommodation.** It should review whether people who have been in residence for some time are being offered dispersed accommodation at the same rate as recent arrivals, and whether its performance framework incentivises the right behaviour;
- c **encourage the AIRE and accommodation providers to automate links between their systems, to more efficiently resolve supported asylum seekers' issues,** and evaluate the potential of the information collected by AIRE as a resource to improve the service over the longer term, including using aggregate and trend data to resolve issues raised by stakeholder organisations;
- d **publish more information about the service's performance, cost and service improvement plans,** in line with Cabinet Office guidance on public contracts. Greater transparency will help the public and other stakeholders to better understand the service and its performance;
- e **update demand forecasts and share these with providers,** particularly in the light of the COVID-19 pandemic and related changes to demand patterns;
- f **prepare for the likelihood that the Department will need to renegotiate some accommodation contracts,** particularly for the South, to achieve its redistribution aims, by reviewing its understanding of what this service should cost; and
- g **start planning sufficiently early for the next procurement of asylum accommodation contracts,** to allow time for ministers to consider substantial changes to the current model if needed.

Part One

Introduction

1.1 The Home Office (the Department) provides accommodation and support for those individuals and families seeking asylum in the UK who are assessed as being destitute. This part of the report describes:

- the Department's obligations to support asylum seekers; and
- the new contracts for accommodation and transport services (the accommodation contracts), and the accompanying Advice, Issue Reporting and Eligibility (AIRE) contract for help and advice to asylum seekers. The new contracts replaced the previous COMPASS contracts from September 2019.

Asylum support

1.2 The Department has an obligation under the Immigration and Asylum Act 1999 to provide accommodation and support to asylum seekers who would otherwise be destitute. Supported asylum seekers usually receive free, furnished accommodation with utility bills and council tax paid and a cash allowance for essential needs, while the Department considers their applications for asylum. People who find their own accommodation, for example through relatives, may receive only the cash allowance. Asylum seekers are not usually allowed to work or to claim mainstream welfare benefits.

1.3 As at March 2020, the Department provided accommodation for around 48,000 asylum seekers, approximately 30% of the total asylum seeker population. The number of accommodated asylum seekers has more than doubled since 2012 but has been relatively stable since the beginning of 2019. To be eligible for accommodation, an asylum seeker must prove that:

- their application for asylum has been recorded;
- they are destitute and therefore have access to very little or no money or 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.

1.4 The Department usually first places eligible asylum seekers in 'initial accommodation', often hostel-type accommodation, on what should be a short-term basis while they apply to the Department for financial assistance. The Department allocates asylum seekers to one of seven regions.

1.5 The provider arranges to move asylum seekers to more permanent dispersed accommodation once the Department has assessed and confirmed their eligibility for support (**Figure 1** overleaf). The Department told us that for straightforward cases, it expects providers to propose a property and house most asylum seekers within 35 days of the person's arrival. This accommodation is typically a flat or house supplied with basic furniture, bedding, kitchen equipment and cooking and washing facilities.

1.6 The Department expects asylum seekers to remain in their allocated accommodation while their claim is processed unless they are given permission to move. Failure to do so can mean accommodation and support is withdrawn. If an asylum seeker's claim is successful, they cease to be eligible for the Department's support after 28 days and must find alternative accommodation. Unsuccessful asylum seekers can remain in the Department's accommodation and continue to receive support while any appeal is heard.

1.7 Refused asylum seekers who have exhausted their appeal rights are required to leave the UK as soon as possible. People with children continue to be housed in the Department's accommodation while they take steps to leave the UK. Refused asylum seekers without children need to apply to the Department (under section 4 of the 1999 Act) for their housing to continue while they take steps to leave.

The new contracts replacing COMPASS

1.8 The Department provides accommodation for asylum seekers through seven regional Asylum Accommodation and Support Contracts ('the accommodation contracts' in this report) which are run by three accommodation providers. The Department also has a national contract with Migrant Help for the AIRE service, which provides supported asylum seekers with independent advice and a route to raise concerns. Various other stakeholders are involved in asylum accommodation and support (**Figure 2** on page 15).

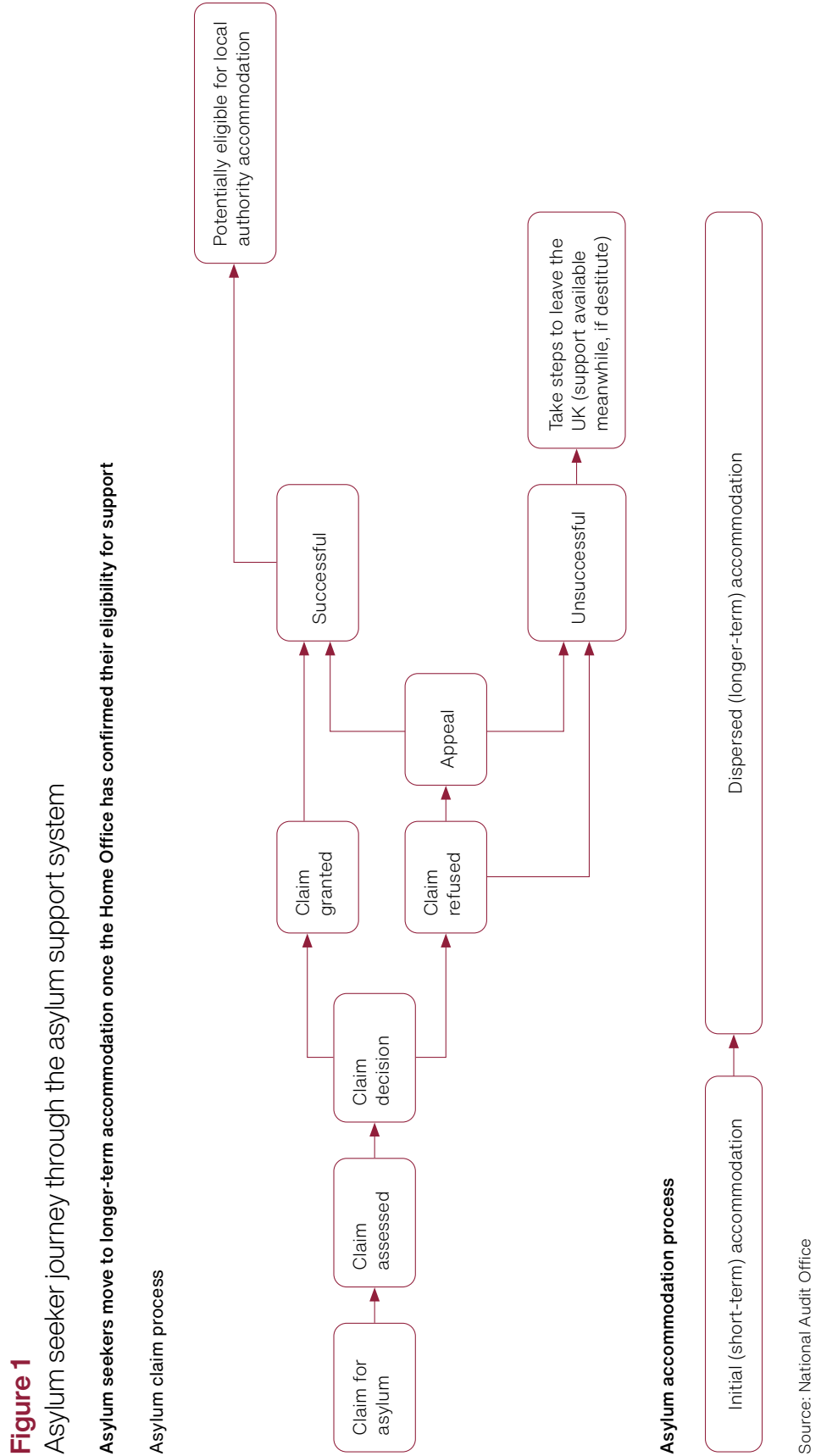


Figure 2

Key stakeholders and their roles in asylum accommodation and support

A range of organisations contribute to providing support for asylum seekers

Stakeholder	Role	Interaction with accommodated asylum seekers
Home Office (the Department)	Designed, procured and now manages accommodation and Advice, Issue Reporting and Eligibility (AIRE) contracts. Allocates asylum seekers to accommodation providers. Separately, processes asylum applications.	Support casework staff manage applications for support, investigate fraud and compliance. Contract management staff carry out some accommodation inspections, jointly with providers. Asylum caseworkers assess asylum applications.
Accommodation providers (seven regional contracts): Clearsprings, Serco and Mears	Manage supply and maintenance of accommodation, directly or by subcontracting.	Local staff inspect housing and address issues.
AIRE provider (one national contract): Migrant Help	With subcontractors, operates the national AIRE helpline and other support services.	Handles concerns and provides advice, via telephone, online or face to face.
Housing subcontractors (specialist housing providers, landlords)	Supply housing and other services to accommodation providers.	Suppliers of initial accommodation provide day-to-day support and advice. Most landlords have little or no interaction with accommodated asylum seekers.
Local authorities	Approve accommodation providers' proposals to use housing in their areas. Responsible, with central government, for the needs of asylum seekers granted leave to remain in the UK.	Some limited contact while asylum seekers are accommodated, for example via residents raising issues concerning access to local services.
Strategic Migration Partnerships (SMPs)	Link central government, local authorities and voluntary sector organisations working with asylum seekers, migrants and refugees in their areas.	Indirect contact, through SMP members.
Voluntary sector organisations, national and local	Provide support and advice for asylum seekers.	Variety of direct contacts with individuals.
Central government departments	Provide advice and support for asylum seekers including health and education, and welfare services for those granted leave to remain in the UK.	Via local officials, after asylum seekers leave supported accommodation.

Source: National Audit Office

1.9 The accommodation contracts and the AIRE service replaced the previous COMPASS system of six regional contracts, which ran from 2012 to September 2019. We reported on COMPASS in 2014 and found issues including providers struggling to establish their supply chains and failures against some performance standards.² Since then, the Home Affairs Select Committee in Parliament and the Independent Chief Inspector of Borders and Immigration found continuing problems with the COMPASS service including many people being housed in hotels, substandard accommodation and inconsistent oversight and inspection (see Appendix Three).³

2 Comptroller and Auditor General, *COMPASS contracts for the provision of accommodation for asylum seekers*, Session 2013-14, HC 880, National Audit Office, January 2014.

3 HC Home Affairs Committee, *Asylum accommodation*, Twelfth Report of Session 2016-17, HC 637, January 2017. HC Home Affairs Committee, *Asylum accommodation: replacing COMPASS*, Thirteenth Report of Session 2017-2019, HC 1758, December 2018. HC Committee of Public Accounts, *COMPASS: Provision of asylum accommodation*, Fifty-fourth Report of Session 2013-14, HC 1000, April 2014. Independent Chief Inspector of Borders and Immigration, *An inspection of the Home Office's management of asylum accommodation provision*, February-June 2018.

Part Two

Sustainable services

2.1 In replacing COMPASS, the Home Office (the Department) identified that it needed to pay more for asylum accommodation and support than under the COMPASS contracts. The Department also wanted to improve the service for supported asylum seekers. This part of the report sets out how the Department took account of price and service quality, in its design of the replacement system and its procurement of new providers.

Commercial design and approach

2.2 The Department considered making radical changes to asylum seeker support when COMPASS ended but did not have enough time to design, procure and implement a significantly different model. The Department began its project to replace COMPASS in 2016, three years before September 2019 when the COMPASS contracts were due to expire, following a two-year extension. Although the Department identified a 'longlist' of potential models for the service, in selecting a shortlist it had to remove options such as building new houses or allowing asylum seekers access to mainstream benefits, without detailed evaluation. In evaluating the design and procurement stage, the Department concluded that it had not allowed enough time to consider these more radical options. It shortlisted five options and chose an approach that was close to the existing COMPASS model (**Figure 3** overleaf). The Department does not know if other options would have brought better value for money.

2.3 The Department made some changes to the contracts for accommodation and transport services (the accommodation contracts) with the aim of improving services, based on consultation with potential suppliers, local authorities and voluntary sector organisations (**Figure 4** on page 19). Voluntary sector organisations told us that the new contracts place a welcome greater focus on individuals, for example requiring each provider to identify vulnerable people and adapt the service accordingly.

Figure 3

Summary of the Department's assessment of alternative delivery models to replace COMPASS

The Home Office (the Department) shortlisted five options and chose an approach that was close to the existing COMPASS model

Model	Key difference from COMPASS	Cost (net present value, £bn)	Example benefits or risks that the Department expected	Department's decision and reasoning
COMPASS	No change	1.46	Smooth transition	Rejected: lower non-financial benefits than chosen model
Chosen model: seven regional accommodation contracts, plus national Advice, Issue Reporting and Eligibility (AIRE) service	National eligibility, complaints and guidance provider, separate from accommodation providers	1.49	Improved experience for supported asylum seekers through a single point of contact for advice and complaints	Chosen
Front-end integrator	Independent provider takes over the allocation of accommodated asylum seekers to regions and oversees integration	1.51	More efficient property utilisation could generate savings, but more complex system overall	Rejected: cost
Full-service integrator	Single contractor provides all services nationally, including allocating accommodated asylum seekers across the UK	1.57	More efficient property utilisation and allocation of service users, but greater risk should the single contractor fail	Rejected: cost
National provider for initial accommodation	Single contractor provides initial accommodation	1.57	More efficient and consistent initial accommodation, but less continuity between initial and dispersed accommodation	Rejected: cost

Note

1 This table summarises the Department's shortlist of delivery models for the new contracts. The Department used a multi-stage process of qualitative and quantitative analysis to assess each option against different levels of demand for the service.

Source: National Audit Office summary of Department business case

Figure 4

Expected improvements to asylum seekers' experience under the new accommodation contracts

The Home Office (the Department) negotiated improvements to the service as part of the new contracts

Aspect	Issue with COMPASS approach	Change in current contracts
Safeguarding	COMPASS did not focus on safeguarding accommodated asylum seekers, potentially putting vulnerable people at risk.	Explicit requirement to adjust the service where people are identified as vulnerable.
Housing	Accommodation provided on a 'no-choice' basis.	Still 'no-choice', but greater consideration required for people's needs. For example, initial accommodation must have gender-specific washing facilities.
Furnishings	Only basic furniture and equipment provided, such as bed, wardrobe, fridge, cooking utensils.	COMPASS requirements extended to include, for example, a freezer and microwave.
Local authorities	Requirement for providers to work with local authorities and Strategic Migration Partnerships.	Greater consultation and sharing of information required.
Information provided to asylum seekers	Accommodated asylum seekers not given information on local services.	Requirement for induction process for people moving into initial accommodation, including information on local services.
Feedback from accommodated asylum seekers	No feedback mechanism.	Quarterly survey of accommodated asylum seekers (piloted in 2020).

Note

- 1 This table focuses on changes in the new contracts which directly affect accommodated asylum seekers. The Department also negotiated improvements to providers' processes, for example on data protection and data-sharing.

Source: National Audit Office analysis of Department information

Procurement process

The procurement of the accommodation contracts

2.4 The Department launched the procurement process in 2017 and signed the new accommodation contracts at the start of 2019. The Department modelled average rents and concluded that asylum accommodation should cost at least 20% more than COMPASS, on a like-for-like basis. The Department compared bids to average rent prices and concluded the price was reasonable. It succeeded in awarding all the planned contracts, but the level of competition was limited, reducing the opportunity to secure better prices (**Figure 5**):

- Thirty-seven organisations expressed an interest, but only 10 requested to bid and the Department eliminated three on financial grounds.
- During 2018, three companies – Clearsprings Ready Homes (Clearsprings), Mears Group (Mears) and Serco – bid for five of the seven regions. The Department disqualified a fourth bidder, G4S, whose bid was invalid.
- The Department restarted the competition for two regions that had received no bids:
 - Three companies – Serco, Mears and G4S – then submitted valid bids for the North East, Yorkshire and the Humber region.
 - Only Mears bid for Northern Ireland, a much smaller contract than the other six regions.

2.5 Our research suggested that the size of the contracts contributed significantly to the limited competition. The Department required the total value of accommodation contracts awarded to be less than half of a provider's total revenue, making it difficult for smaller firms to qualify to bid. Providers told us that other reasons for limited competition included:

- **market perception of asylum accommodation contracts, due to COMPASS.** Around the time of the procurement, several large outsourcing companies had announced losses and a focus on reducing risk, for example by avoiding relatively risky new business. Two accommodation providers involved in COMPASS who bid for the new contracts told us that their senior management authorised bidding only after extensive consideration, because of their COMPASS experience. Clearsprings told us that it saw bidding for its two COMPASS regions as essential, but the financial risk was too high for it to compete for the other regions; and
- **lack of potential accommodation providers with the right skills.** Providers told us that some large suppliers to government did not have the required combination of experience in providing housing and services for people with diverse needs.

Figure 5

Bidders and successful providers for the seven regional contracts

Three regions received just one bid, and all but one of the others only had two bids

Region	COMPASS provider	Bidders	Awarded to	Current forecast cost (2019 to 2029) (£m) ³	Number of accommodated asylum seekers (December 2019)
Scotland ¹	Serco	2	Mears	431	4,635
Northern Ireland ^{1,2}	Serco	1	Mears	95	1,083
North East, Yorkshire and the Humber ²	G4S	3	Mears	694	11,188
North West	Serco	1	Serco	882	11,017
Midlands and East of England	G4S	2	Serco	834	9,443
Wales	Clearsprings	2	Clearsprings	265	3,227
South	Clearsprings	1	Clearsprings	526	8,295

Notes

- 1 Northern Ireland and Scotland were combined under COMPASS.
- 2 The Home Office (the Department) restarted competition for the Northern Ireland and North East, Yorkshire and the Humber regions as it did not originally receive any compliant bids.
- 3 Costs are stated in 2019-20 prices.

Source: National Audit Office analysis of Department information

2.6 The Department awarded four of the seven regional accommodation contracts to Serco and Clearsprings, which were COMPASS accommodation providers. The Department appointed Mears, which did not have any COMPASS contracts, to provide accommodation in three regions.

Pricing and risk transfer in the accommodation contracts

2.7 The Department set out to make the contracts more sustainable than COMPASS by transferring risk away from providers through changes to the pricing mechanism. Providers told us that this positively influenced their decisions to bid for the accommodation contracts. The Department's changes included:

- **more fixed-price elements.** The new accommodation contract has a pricing mechanism in which some costs are fixed and others vary with the number of people accommodated. Around one-quarter of the price of initial accommodation varies with the number of people, rather than 100% as for COMPASS. This better reflects costs to providers, since the facilities are permanent and must be paid for even if rooms are not used;
- **prices better linked to providers' costs.** Accommodation providers' prices are linked to inflation rates for consumer goods and owner-occupiers' housing costs. Under COMPASS, prices were initially fixed for three years and then increased according to retail price inflation minus 2%, meaning prices fell in real terms;
- **longer contracts.** The new accommodation contracts last up to 10 years, giving the providers greater certainty of revenue, compared with COMPASS's maximum of seven years. The Department can end them without additional cost after seven years, by giving providers 270 days' notice;
- **scope to renegotiate prices as numbers rise.** The Department will renegotiate providers' prices if more than 70,000 asylum seekers are accommodated throughout the UK, since housing costs tend to rise if providers expand their stock significantly; and
- **reduced exposure to performance deductions.** The maximum performance deduction was reduced from 15% to 12% of revenue.

2.8 The Department expects the accommodation contracts to be more financially sustainable for providers than the COMPASS contracts. The Department found that in 2014, two of the six COMPASS regions had reported losses totalling £19 million (37% of revenue in those regions), with the other four reporting profits of between 3% and 10% of revenue.⁴ Subsequently, two of the three COMPASS providers made ‘onerous contract’ provisions in their accounts, which are used when the costs of providing a service are expected to exceed the benefits, totalling around £216 million. The COMPASS providers told us that the reverse online auction process used for COMPASS, designed for commodity goods rather than services for individuals, had encouraged them to bid unsustainably low prices. For the new contracts, the Department negotiated with providers on contract pricing rather than using an auction. We estimate that the new service costs some £560 per month for each person compared with £437 under COMPASS – a 28% increase, although this estimate is sensitive to the assumptions used. The Department estimates that the increase is currently 26%.

2.9 For the new contracts, the providers’ bids include cost and revenue information which the Department estimated equate to profit margins of between 5% and 13%.⁵ During the design of the new contracts, the Department noted that large outsourcing companies expected profits across all their contracts of between 3% and 6%. The Department intended to use ‘open book’ accounting to assess the providers’ profits, from the early months of the contracts, although it has not yet done so.

2.10 It is possible that the Department’s negotiating position could have been stronger if it had a better understanding of what the service should cost. It asked providers to base their bids on an estimate of the costs plus a general mark-up for risk and profit. Providers new to the service or taking over new regions told us that while preparing their bids, they would have preferred more data on the properties used under COMPASS and on expected future demand. They told us that they included this uncertainty, along with other factors, in the risk modelling which underpinned their prices. Without a highly competitive market or a good understanding of the costs being incurred, it is difficult for the Department to negotiate these contingencies down.

4 Serco reported an additional loss relating to transport, but due to inconsistencies in how data were reported, this is not included in the numbers stated in this paragraph. The Department did not audit these numbers.

5 These costs include management fees which are intended to cover an allocation of suppliers’ overheads and which account for a further 5%–18% of revenue.

2.11 Our work identified opportunities for contract changes which may have provided better value overall:

- The pricing mechanism could have been even more flexible. The contracts contain single prices to cover all costs, including council tax, insurance and maintenance. These costs may not increase in line with the indexation specified in the contract and may be hard to predict over 10 years. Some of these costs, such as council tax, could have been reimbursed by the Department based on actual costs, instead of being included in the price.
- Prices are fixed for the duration of the contract, so bidders had to base their bids on forecasts of housing costs over 10 years. Serco told us it would have preferred a price review after five years, at which point prices could be compared with the rental housing market and adjusted if there was a significant difference.
- Providers could be paid variable prices for different groups of people, for example higher payments for people with vulnerabilities, similar to the existing approach for family units.
- The Department introduced a 'risk pot' mechanism, which allowed providers to specify that some risks would be ring-fenced and an agreed amount only paid if the risks occur. However, the Department evaluated bids assuming that all of the risk pot would be paid out, whereas, by definition, payment was not certain.

The procurement of the AIRE service

2.12 The biggest change to the service from COMPASS is the introduction of the Advice, Issue Reporting and Eligibility (AIRE) service, which includes a telephone and online help service, staff embedded in initial accommodation centres and information for supported asylum seekers following decisions on their asylum claims. The Department introduced AIRE to give supported asylum seekers a way to raise issues and access support through an organisation independent of the Department and the accommodation providers. The Department received three bids for AIRE and awarded the contract to Migrant Help, a charity which had provided some services for asylum seekers under a previous contract and grant.

2.13 The Department developed a forecast of what the AIRE service should cost, but Migrant Help did not use this forecast to plan its original staff deployment. For example, historic call times for reporting issues to providers suggested an average call time of 12 minutes (17 if a translator was needed), but Migrant Help and its call centre subcontractor, Connect Assist, had assumed that four minutes per call was reasonable and staffed accordingly. Migrant Help told us that it did not have access to the Department's data on historic call times or its 'should-cost' model.

2.14 Although the AIRE service needs to work closely with the accommodation providers, the Department procured the two services in parallel. As a result, the providers could not formally meet before they signed contracts and had limited information about how they would work with each other. There are no formal contracts between Migrant Help and the three accommodation providers, although their individual contracts do require that they work together.

Part Three

Meeting supported asylum seekers' needs

3.1 The Home Office (the Department) wanted the new service to provide appropriate accommodation and support for all supported asylum seekers, including vulnerable people and those already housed under COMPASS who would become the responsibility of the new providers. This part sets out:

- how the Department managed the transition from COMPASS to the new accommodation providers;
- the performance of the new accommodation providers in the early months of the contracts for accommodation and transport services (the accommodation contracts);
- the performance of the Advice, Issue Reporting and Eligibility (AIRE) service; and
- the Department's oversight of the new providers.

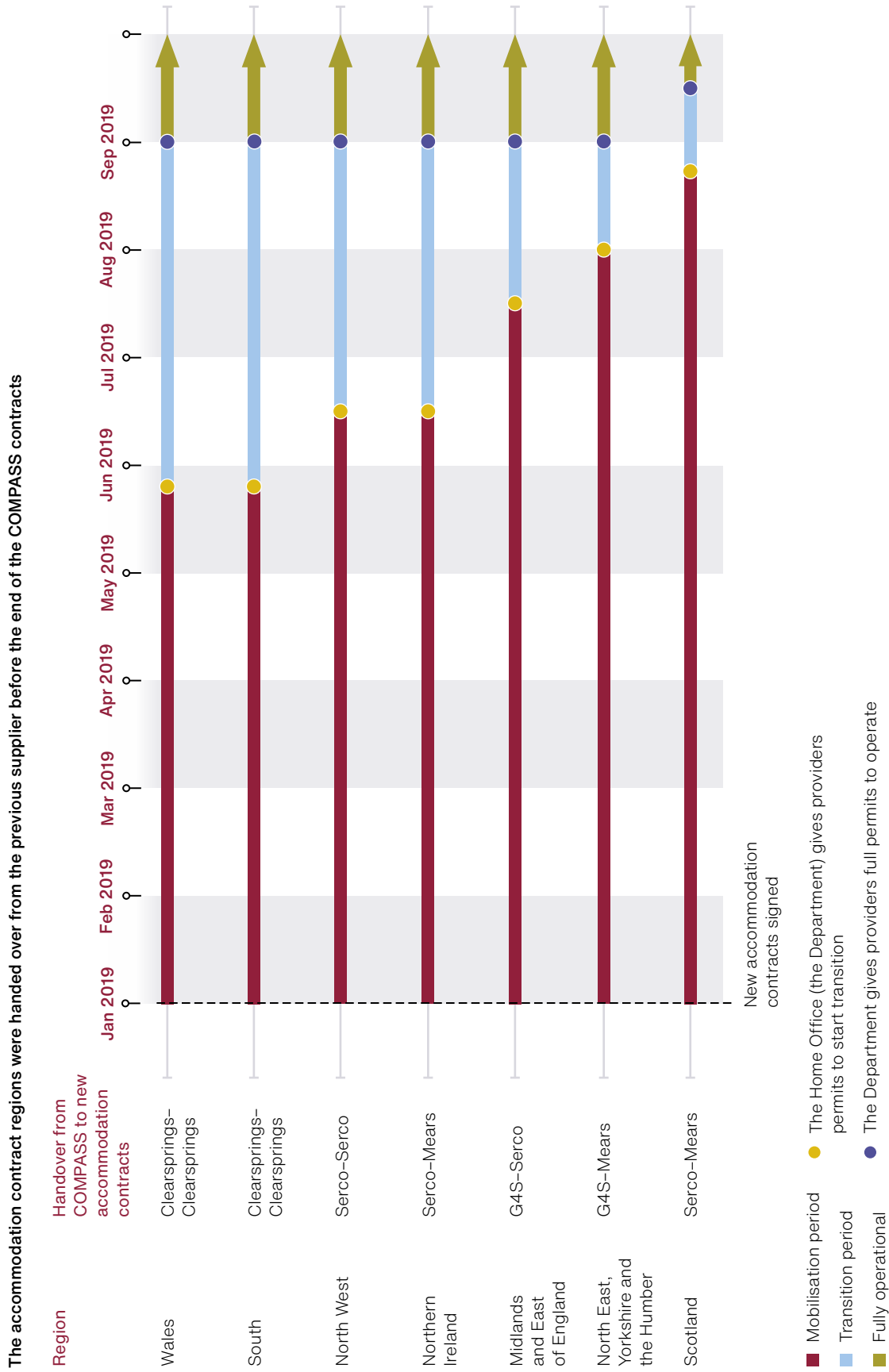
Transition to the new contracts

3.2 The Department needed new providers in place by September 2019 so that services could continue once the COMPASS contracts ended. The Department had extended the contracts by two years, to September 2019 and had no scope to extend them further. After signing the new contracts in January 2019, the Department worked with the new accommodation providers and the COMPASS providers on an eight-month process of 'mobilisation and transition', to prepare for the service to start in September 2019.

Contract handover

3.3 The Department met its deadline, with the accommodation contract regions handed over from the previous supplier before the end of the COMPASS contracts (**Figure 6**). The Department signed six of the seven final operating permits, which formally start the service and make the accommodation providers liable for penalties for poor performance, at the end of August 2019. Mears Group's (Mears') final operating permit in Scotland was awarded in mid-September, before the COMPASS contract expired in Scotland at the end of September.

Figure 6
The transition from COMPASS to the new accommodation contracts



3.4 Although the Department had new accommodation providers in place for its planned launch date, the ‘mobilisation’ period for the new accommodation providers lasted longer than planned, leading to a shortened ‘transition’ phase. The Department had originally planned for the transition phase, in which the new providers took on responsibility for properties and accommodated people, to take around six months, starting in mid-February. This phase actually ran from late May to September 2019 (Figure 6). The Department told us that the main reason for this was that providers needed to sign contracts with subcontractors before the Department would grant ‘bridging permits’ to start the transition stage. This was particularly difficult in the North East, Yorkshire and the Humber region (see paragraphs 3.8 and 3.9).

3.5 The shortened transition phase meant that the accommodation providers had less time than they had originally expected to take on properties and accommodated people from the COMPASS providers, in preparation for the full operation of the contracts. It also meant that the Department started paying management fees to providers later than planned. During the transition the providers took on responsibility for the properties in their region, which they then needed to inspect and, if necessary, upgrade to the new standards. In the four regions which transferred to a different provider, the shortened transition is likely to have affected performance in the early months of the contract (see paragraphs 3.10 and 3.11). Three of these regions were taken on by Mears, the only accommodation provider not involved in the COMPASS service.

3.6 The new AIRE helpline service increases the need for effective information-sharing between the Department, Migrant Help and the accommodation providers, compared with COMPASS, where the accommodation providers dealt with supported asylum seekers’ concerns. Providers told us that this data-sharing is not yet working efficiently. It is not clear when these issues will be resolved:

- Migrant Help’s system for running the AIRE services is not yet integrated with the Department’s information on asylum applicants. Migrant Help told us that it has had to gradually build its own database of supported asylum seekers’ details. This means that AIRE calls are lengthened while call handlers gather basic information on the caller.
- The new contracts required that, by the time services were operational, the AIRE and accommodation providers should have systems in place to share data efficiently. However, systems are not yet automatically linked. Providers’ views on this vary. Two of the three accommodation providers told us that the lack of automation produced inefficient email and telephone traffic, with delay and an increased risk of errors, while the third provider said that a human interaction was helpful.

Service user relocations

3.7 The transition involved around 48,000 people who were housed in asylum accommodation when the contracts changed, more than twice the 20,000 people affected when the previous service transitioned to COMPASS in 2012. Only 5% of people had to move because of the change of contracts, compared with 10% in 2012. In most regions, people stayed in their accommodation.

3.8 Mears had to relocate around 2,500 people in the North East, Yorkshire and the Humber region. Their housing was provided by Jomast Accommodation Ltd (Jomast), a subcontractor to G4S under the COMPASS contract. Mears and Jomast could not agree on Mears' proposed business model, in which Mears would manage properties while landlords would receive rent without being involved in day-to-day operations.

3.9 After unsuccessful initial negotiations between Mears and Jomast, the Department judged that Mears might not be able to take on Jomast properties. Mears started exploring alternative options for people to move into in September. Around 3,600 people housed by Jomast were at risk of having to move, at short notice, to temporary accommodation such as hotels. However, under an informal arrangement with Jomast, over the next four months Mears moved most people housed in Jomast-managed properties, around 2,500, into alternative long-term housing.⁶ The providers, the Department and local authorities spent considerable management time negotiating and deciding on these arrangements.

Early performance of the accommodation providers

3.10 The Department monitors accommodation providers' performance against 10 key performance measures. In the first few months of the contracts, providers struggled to meet five of the 10 performance standards (**Figure 7** overleaf). Since September 2019, providers have on average failed to meet targets on finding suitable dispersed (longer-term) accommodation and moving people into it quickly enough and on addressing maintenance issues which were not emergencies on time. Providers have on average improved their performance on addressing emergency maintenance issues and resolving people's complaints.

⁶ The Department told us that some asylum seekers housed by Jomast had their asylum claims resolved during this time and therefore ceased to be eligible for the Department's support. This led to only 2,500 people being relocated, of the 3,600 who were in Jomast housing in summer 2019.

Figure 7

Accommodation provider performance measures

Providers struggled to meet five of the 10 performance standards in the first few months

Measure	Standard for providers to meet	Target	Average monthly performance across all regions	
			Sep–Dec 2019	Jan–Mar 2020
Initial (short-term) accommodation proposal	Propose acceptable initial accommodation within the Home Office's (the Department's) required timescale.	98%	✓ 100%	✓ 100%
Dispersed (longer-term) accommodation proposal	Propose acceptable dispersed accommodation within the Department's required timescale.	98%	✗ 86%	✗ 89%
Dispersal of asylum seekers	Move asylum seekers to dispersed accommodation within the Department's required timescale.	98%	✗ 86%	✗ 87%
Move-in service	Provide move-in briefing within the Department's required timescale for people arriving into dispersed accommodation.	98%	✓ 100%	✓ 100%
Transport	Transport asylum seekers to accommodation or other destination according to the Department's requirements.	98%	✓ 99.8%	✓ 100%
Maintenance issues (emergency)	Rectify within four hours.	No failures in a month	✗ 0.4 failures	✓ 0 failures
Maintenance issues (habitable)	Rectify within five working days.	No failures in a month	✗ 47 failures	✗ 5 failures
Maintenance issues (fit for purpose)	Rectify within 21 working days.	No more than four failures in a month	✗ 227 failures	✗ 673 failures
Complaints management	Resolve within five working days of receiving complaint, either from Migrant Help or accommodated asylum seeker.	98%	✗ 86%	✓ 99%
Management information	Submit accurate management information within the Department's required timescale.	No more than two failures in a month	✓ 0.3 failures	✓ 0.4 failures

Notes

- 1 We have not audited the source data for this analysis.
- 2 Performance is shown averaged across all seven contracts to indicate the performance of the service as a whole. Failure to meet a target does not mean that the target was missed in every region.

Source: National Audit Office analysis of Department data

3.11 The poorest performance has generally been in contract regions where the provider is either new to that region (Serco in the Midlands and East of England) or new to providing asylum accommodation (Mears, in three regions). Both Mears and Serco told us that some houses they took over from the outgoing provider were below the property standards on the new contract, which has different standards from the COMPASS contract. This increased the volume of maintenance work required and made it harder to move people into longer-term housing on time (**Figure 8** overleaf). They also reported problems with the data passed to them by COMPASS providers, on the housing stock and existing accommodated asylum seekers' details. On average, the accommodation providers missed two of their 10 targets per month since December 2019.

3.12 Providers accrue points if they fail to meet their required performance standards and must pay back some of the payments they receive from the Department, based on the number of points accumulated each month. **Figure 9** on page 33 shows these 'service credits' to date.

3.13 The Department's contracts require providers to safeguard vulnerable people as part of their service. Voluntary sector organisations and local authorities told us that while it was important for safeguarding to be included in the contracts, they were unclear how providers were putting this requirement into practice. In November 2019 the Department set up a safeguarding board, including Department officials and provider representatives, to develop a framework for safeguarding.

Demand for initial accommodation

3.14 Providers had to manage a sharp increase in the number of asylum seekers requiring accommodation during the contract transition. During summer and autumn 2019, the number of asylum seekers entering initial accommodation rose. Meanwhile, the providers did not have enough dispersed accommodation to move people to quickly enough (**Figure 10** on page 34). From July to October 2019, the number of people in initial accommodation increased by 96%, from 1,678 to 3,289. Providers have since moved more people into dispersed accommodation each week but the number of people in initial accommodation has remained high, averaging approximately 2,800 since October 2019. In contrast, the number of people in dispersed accommodation fell in the second half of 2019.

Figure 8Provision of dispersed accommodation for asylum seekers,
September 2019 to March 2020

In the first few months, Mears and Serco failed to hit targets on proposing and moving people to dispersed (longer-term) accommodation

Provider	Region	Acceptable dispersed accommodation proposed within required timescale (target = 98% or more)		Asylum seeker moved to dispersed accommodation within required timescale (target = 98% or more)	
		Sep-Dec 2019 (%)	Jan-Mar 2020 (%)	Sep-Dec 2019 (%)	Jan-Mar 2020 (%)
Mears	Scotland	✘ 84	✘ 97	✘ 80	✘ 81
	Northern Ireland	✘ 84	✔ 98	✘ 78	✔ 99
	North East, Yorkshire and the Humber	✘ 81	✘ 88	✘ 85	✘ 86
Serco	North West	✘ 90	✘ 88	✘ 94	✘ 93
	Midlands and East of England	✘ 61	✘ 57	✘ 61	✘ 59
Clearsprings	Wales	✔ 99	✔ 99	✔ 99	✘ 96
	South	✔ 99	✔ 98	✔ 99	✔ 98

✔ Target met

✘ Target missed

Notes

- 1 Asylum seekers move into dispersed accommodation once the Home Office (the Department) has approved their application for support.
- 2 Figures show the average performance of each contractor during the relevant time period. We have not audited the source data which we used to calculate the averages.

Source: National Audit Office analysis of Department data

Figure 9

Accommodation providers' performance, September 2019 to January 2020

Mears and Serco have been charged service credits for poor performance

Provider	Summary of performance	Service credits charged by the Home Office ¹
Mears	Failed to meet targets on moving people to dispersed (longer-term) accommodation, property maintenance and responding to complaints.	£3.1 million (7% of revenue)
Serco	Failed to meet targets on moving people to dispersed (longer-term) accommodation and complaints. Many failures on property maintenance issues in the Midlands and East of England.	£2.6 million (4% of revenue)
Clearsprings	Clearsprings met all targets in this period.	No service credits

Note

1 Service credit data are provisional and available for September 2019 to January 2020 only. We have not audited these data.

Source: National Audit Office analysis

3.15 The Department told us that it expects people with straightforward needs to move into dispersed (longer-term) accommodation within 35 days of their arrival in initial accommodation. Department data suggest that on average, asylum seekers spent 26 days in initial accommodation before leaving, between September 2019 and February 2020.⁷ Some people have stayed much longer. For example, the Department's data showed that 981 people who had arrived by the end of December 2019 were still in initial accommodation on 24 March 2020, a stay of at least 86 days.

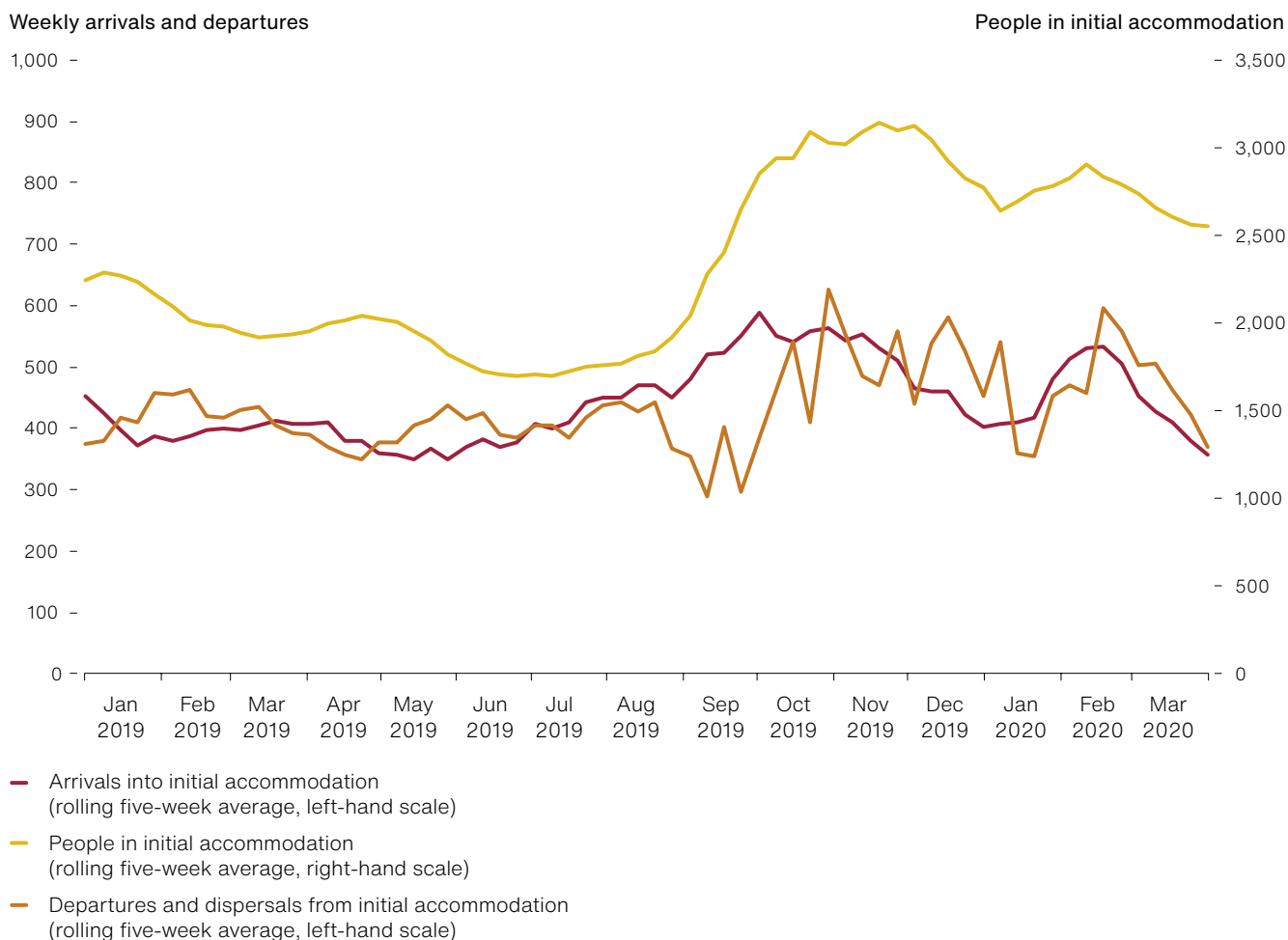
3.16 Providers are not incentivised to move people into dispersed accommodation when they have already been in initial accommodation for longer than the Department's expected 35 days. When measuring performance, the Department penalises providers for each accommodation request and move every month that exceeds agreed timescales, rather than each day. This may encourage providers to prioritise newer arrivals whose time in initial accommodation has not yet breached performance standards. We have not assessed whether providers are in fact prioritising newer arrivals.

⁷ Average of the weekly median time in initial accommodation for those that left between 9 September 2019 and 28 February 2020.

Figure 10

Asylum seekers arriving and leaving initial accommodation, by week, January 2019 to March 2020

An increase in arrivals into initial accommodation during July–October 2019 was not matched by an increase in departures and dispersals to longer-term accommodation



Notes

- 1 Not all asylum seekers leaving initial accommodation move into dispersed accommodation; the Home Office (the Department) assesses some as not eligible for continuing support.
- 2 Departures have been estimated from data on arrivals and number of occupants. We have not audited these data.

Source: National Audit Office analysis of Department data

3.17 Providers have placed large numbers of people in hotels and other ‘contingency’ accommodation such as serviced apartments, due to the increase in demand for initial accommodation. Providers’ contracts only require them to provide a total of 1,750 places in permanent initial accommodation, compared with the demand in this period for around 3,000 places (see paragraph 3.14). The contracts allow providers to use hotels and other contingency accommodation to meet excess demand for initial accommodation. Since October 2019, more than 1,000 people have stayed in hotels each night (**Figure 11**). This is less than the peak hotel use under the COMPASS contracts, of 1,747 people in April 2016, but much greater than in 2017 and 2018 when the number of people in hotels remained below 100 each night. Between September and December 2019, the Department paid providers £15 million for people in hotels and other contingency accommodation.

Figure 11

Number of people in contingency accommodation such as hotels each night, January 2019 to March 2020

More than 1,000 people have been housed in contingency accommodation such as hotels since October 2019



Notes

- 1 Data are not available for weekends or some public holidays.
- 2 We have not audited these data.

Source: National Audit Office analysis of Home Office data

3.18 Asylum seekers and voluntary sector organisations told us that long stays in initial accommodation can be harmful to people's well-being, whether they are in providers' permanent accommodation or in hotels. They said that effects can include:

- **limited access to support services, health services and education.** Migrant Help and local health providers have struggled to provide enough services to asylum seekers staying in hotels. While in initial accommodation, people cannot register with a GP or enrol their children into school;
- **effects on families and children.** Hotel accommodation usually lacks facilities for children and suitable accommodation for families to share for extended periods; and
- **changes to independence.** Many people in initial accommodation receive no weekly subsistence payments since their accommodation provider supplies all meals and toiletries. Hotel accommodation may accustom people to facilities such as cleaning, which will not be available when they move to dispersed accommodation.

Performance of the AIRE service

3.19 The AIRE service operated by Migrant Help includes a telephone and online help service, staff embedded in initial accommodation centres and information for supported asylum seekers following decisions on their asylum claims. Neither the helpline nor the other support services have delivered the service expected in the early months of the contract.

Performance in answering and handling calls

3.20 The AIRE national helpline failed to meet supported asylum seekers' needs in the early months. It answered around half the number of calls that Migrant Help had planned for, and only one-fifth of the calls it received, during the first four months:

- Migrant Help told us that it planned to receive 21,400 calls per month, based on scenarios provided by the Department of up to 33,900 calls per month. The service received more than twice as many calls, averaging 56,500 per month between September and December 2019.
- Although Migrant Help had planned for an average call length of four minutes, it found that on average, a call lasted more than 20 minutes. This meant that Migrant Help answered only 12,100 calls a month on average.

3.21 Migrant Help's inability to respond to this volume of calls meant many supported asylum seekers could not access support and guidance in a timely way:

- Between September 2019 and December 2019, AIRE answered just 2% of calls within 60 seconds, against its target of 90% (**Figure 12** on pages 38 and 39). One-fifth of callers in this period waited for more than an hour to be answered. Many callers (74%) abandoned their calls after 60 seconds and before they were answered.
- AIRE also did not meet the Department's requirement that callers requiring specialist support, 43% of all calls answered, should be transferred to a specialist adviser within three minutes (Figure 12). Some 13% of calls were transferred within three minutes between November and December 2019, rather than the 80% required.⁸

3.22 The AIRE helpline's inability to meet demand in the early months has several causes:

- **Limited testing.** In May and June 2019 Migrant Help tested the service with a proportion of asylum seekers in the South and Wales regions. This work, in two regions where the accommodation provider did not change from COMPASS, so services were likely to have been relatively stable, did not predict the high level of demand for the full service.
- **Promotion of AIRE.** The Department circulated information to all asylum seekers encouraging them to use the new service, which may have revealed previously unmet demand.
- **Lack of alternative services.** In line with the new AIRE model, the COMPASS accommodation providers stopped their own services for supported asylum seekers to report issues with their properties and told them to contact AIRE.

3.23 AIRE met the target to answer calls in February and March 2020, answering 94% of calls within 60 seconds, although call transfer times for specialist advice were still well below expected standards. Demand for the service continued to be above the Department's 'high' estimate of 33,900 calls per month. Between January and March 2020, AIRE answered some 37,000 calls per month on average. Migrant Help told us that it had recruited significantly more staff than it originally planned, including three times as many initial call handlers, but that security clearance processes which usually took six to eight weeks, and training, had delayed them starting work.

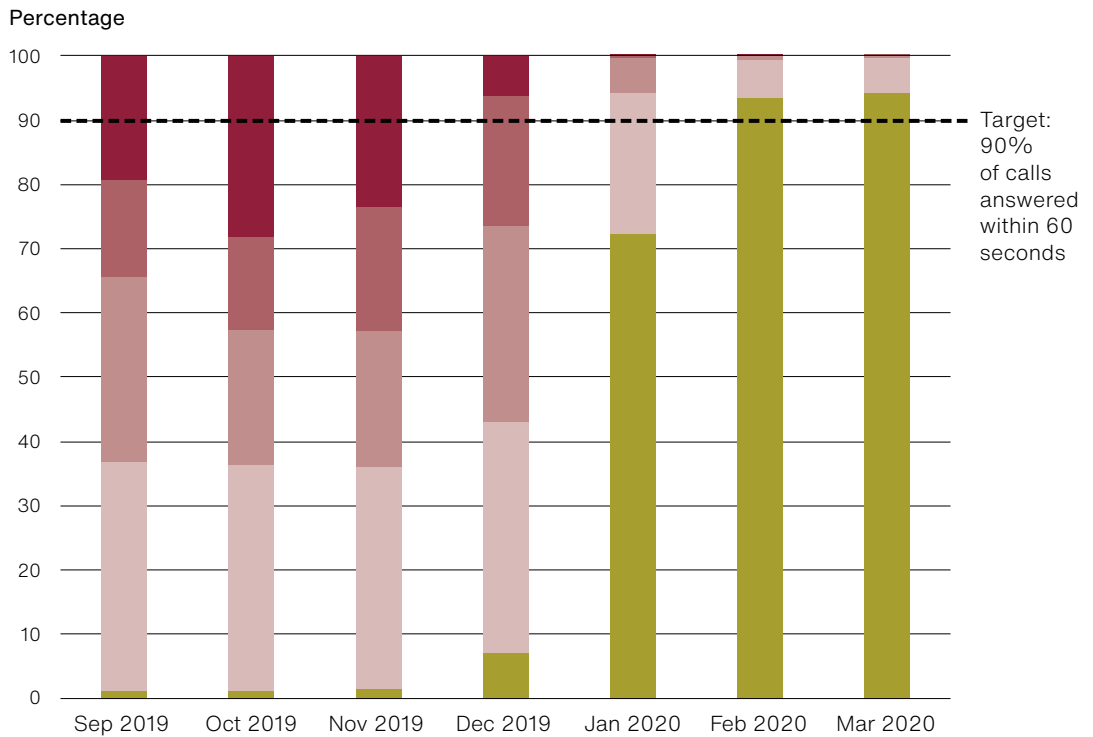
⁸ These data exclude 41,500 waiting calls abandoned within 60 seconds and 2,400 calls abandoned within three minutes while they were being transferred. Between September and December 2019, Migrant Help included these calls as contributing towards meeting its targets, rather than excluding them from any calculations.

Figure 12

Advice, Issue Reporting and Eligibility (AIRE) performance: call waiting times, September 2019 to March 2020

Callers have been kept waiting a long time to speak to staff on the AIRE helpline

Waiting time to speak to call handler



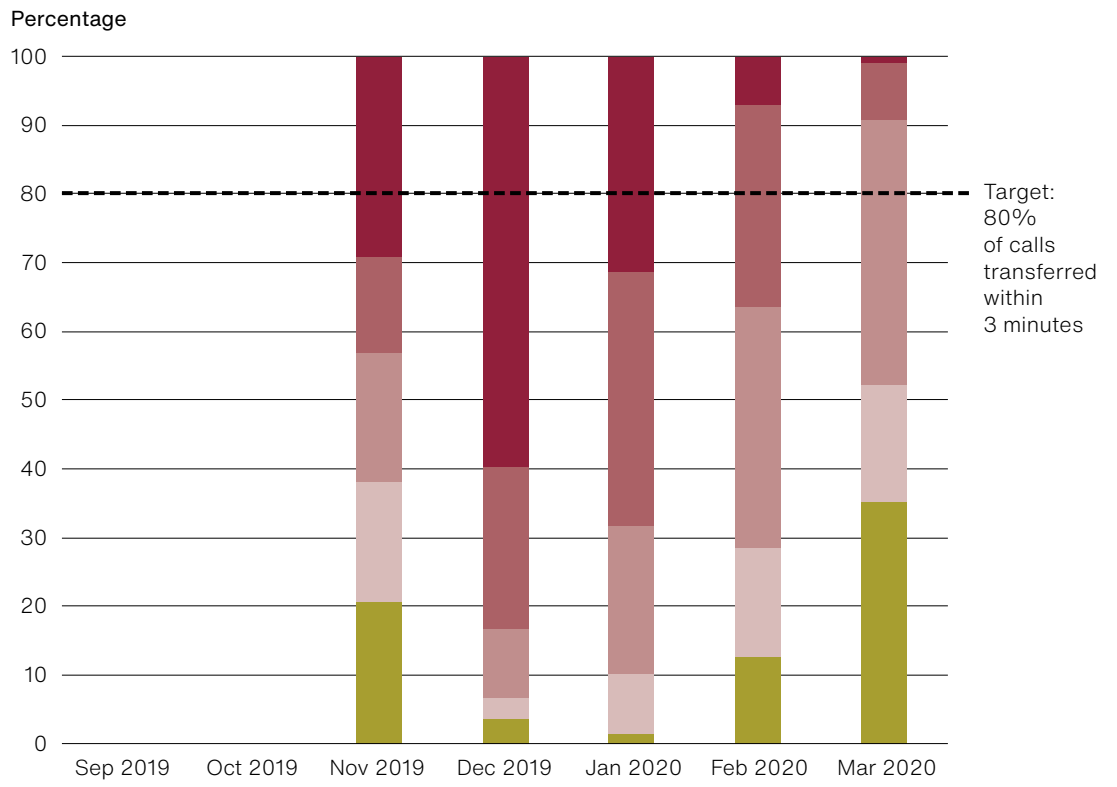
	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020
1 hour or more	19	28	23	6	0	0	0
At least 30 minutes and within 60 minutes	15	15	19	20	0	0	0
At least 10 minutes and within 30 minutes	29	21	21	31	5	0	0
At least 1 minute and within 10 minutes	35	35	34	36	22	6	6
Less than 60 seconds	1	1	1	7	72	94	94

Notes

- 1 Migrant Help is not able to report call transfer times for September and October 2019. In March 2020 the targets were changed to be calls answered within 3 minutes and transferred to a specialist adviser, if needed, within 10 minutes.
- 2 Calls abandoned within 60 seconds have been excluded.
- 3 Data are shown rounded to the nearest 1%. This means that values of less than 0.5% are shown as 0% and values in each month do not always total 100%.
- 4 We have not audited these data.

Source: National Audit Office analysis of Home Office data

Waiting time to then be transferred to specialist handler, if needed



■ 1 hour or more	29	60	31	7	1
■ At least 30 minutes and within 60 minutes	14	24	37	29	8
■ At least 10 minutes and within 30 minutes	19	10	22	35	38
■ At least 3 minutes and within 10 minutes	17	3	9	16	17
■ Less than 3 minutes	21	4	1	13	35

Other aspects of performance

3.24 In addition to its call-handling failures, Migrant Help has frequently not met the Department's requirements for other aspects of the helpline's performance, or for the face-to-face advice and support that Migrant Help provides. Migrant Help told us that there was high demand for these services because of the numbers of people in initial accommodation and hotels in the early months of the contract (paragraph 3.14):

- Between September 2019 and March 2020, Migrant Help missed its target every month for five of 13 performance measures, hit its target every month for four more, and delivered mixed performance against the others. Not all targets have been measured in each month. In March two of the measures were suspended due to the COVID-19 pandemic. **Figure 13** shows two of the measures for which Migrant Help missed its target every month. The targets it met included those for resolving advice and guidance calls on the first contact and providing interpretation services within two minutes.
- The effects on supported asylum seekers include, for example, some 2,800 people who did not receive an induction service from Migrant Help within one day of entering initial accommodation.
- Migrant Help has also taken three to four times longer than expected, on average, to complete application forms for failed asylum seekers who are destitute (Figure 13). Support organisations have told us that some people have stopped receiving accommodation and support as a result of these delays, although we cannot quantify this.

3.25 The AIRE contract set a three-month 'grace period' while Migrant Help established the new service, in which the Department would not recover service credits from Migrant Help for underperformance between September and November 2019. In January 2020, the Department accepted Migrant Help's argument that some of its performance was affected by factors outside its control, including a lack of space in initial accommodation sites for Migrant Help staff who provide face-to-face advice to supported asylum seekers. The Department extended the grace period for five performance measures until the end of January. The Department has also supported Migrant Help's work to improve the service. Since the grace period ended, Migrant Help has continued to miss its targets for most performance measures. In December 2019, Migrant Help paid £33,475 in service credits, just over 2% of its revenue from AIRE.

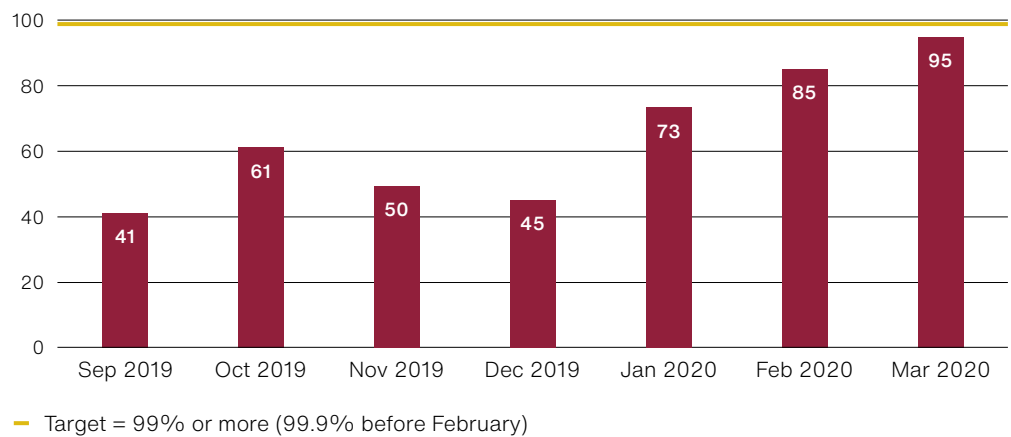
Figure 13

Advice, Issue Reporting and Eligibility (AIRE) performance on selected targets, September 2019 to March 2020

Migrant Help has missed targets on processing applications for support for asylum seekers

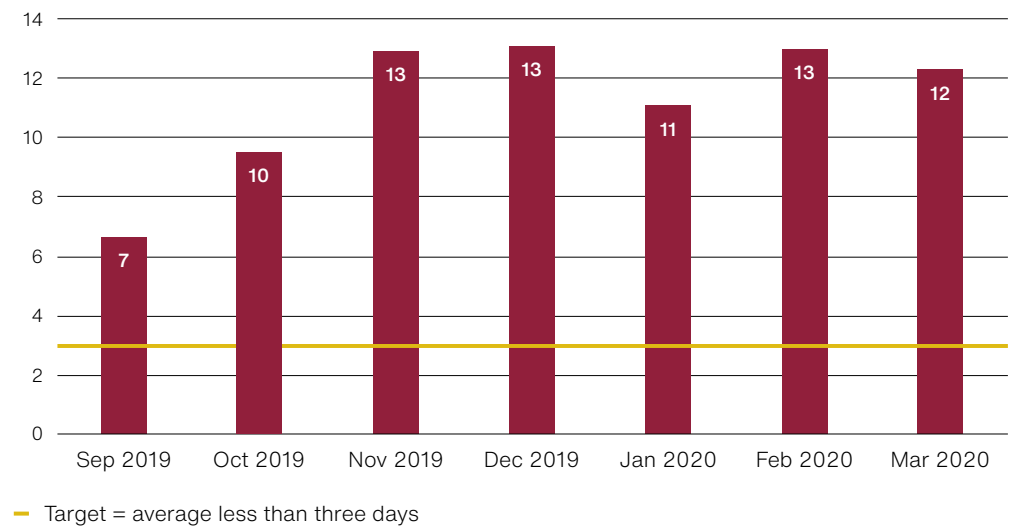
Users' application for initial accommodation submitted to the Home Office within 15 minutes of completion

Percentage of applications



Average time to complete application for support for failed asylum seekers

Number of days



Note

1 We have not audited these data.

Source: National Audit Office analysis of Home Office data

The Department's oversight of the providers

3.26 The Department monitors the performance of the accommodation and AIRE providers against their contracts, primarily by using data supplied by the providers. In the early months of the service, the Department had some difficulties with these oversight mechanisms:

- Mears and Migrant Help did not initially understand their reporting requirements and submitted data late or incomplete.
- It was difficult for the Department to validate the accommodation providers' performance reports because of restrictions on linking its IT systems to those of other organisations. The Department can perform limited checks against its own data, for example from its property inspections, but for some performance measures, the Department can only check the total level of activity and not whether it was completed within contractual timescales. In future, the Department intends to make better use of data recorded by the AIRE service to check the performance of the accommodation providers, for example by using aggregate and trend data to resolve issues raised by stakeholder organisations or to monitor how vulnerable people are safeguarded.

3.27 Department staff also inspect the accommodation. Between September and December 2019, the Department inspected 896 properties (7% of properties). It has a target to inspect 25% of dispersed accommodation properties each year. The inspections found minor defects in most properties, but only 16 (2%) had major defects and 113 (13%) had no defects.

3.28 The Department is introducing new monitoring measures for aspects of the service which are difficult to measure directly:

- The Department requires providers to survey accommodated asylum seekers on their experiences of services and report on this every three months. The providers piloted this survey in spring 2020.
- The Department planned to introduce a new assurance framework including all the providers' responsibilities, such as the identification and safeguarding of vulnerable people, for the start of the new contracts. The Department told us that this had been delayed until May 2020 because of a lack of resources.

3.29 Stakeholders, including voluntary sector organisations and local authorities, told us that they would like information on the performance of the service to help them better support people. However, the Department does not currently publish data on the contract performance, contrary to the government's current policy.

Part Four

Responding to demand

4.1 Because the Home Office (the Department) has limited control over the number of asylum seekers needing support, it needs to have a flexible system which can respond to changes in demand while also managing the impact on local communities around the UK. This part sets out the Department's approach to managing the overall system, including its:

- forecasting of how many asylum seekers will require support;
- influence on the number of supported asylum seekers, through the Department's role in resolving asylum applications;
- plans to change the distribution of supported asylum seekers across the UK; and
- understanding of the likely costs of the service over the life of the contracts.

Forecasting supported asylum seeker numbers

4.2 Forecasting the likely number of asylum seekers needing support is critical to the service because of the Department's obligation to support people who would otherwise be destitute. However, forecasting demand is difficult. Demand for services depends on the total number of asylum claims, which is driven by various factors such as conflicts or events around the world including the COVID-19 pandemic, and on how many claimants and their dependents qualify for support.

4.3 The Department uses a combination of models for its forecasts. These are not yet integrated, although the Department told us that it is investing in work to better model the asylum system:

- The Department's forecast of expected asylum applications is based on past patterns and was last updated in August 2018. When the Department let the 10-year contracts, its forecast lasted less than two years. The Department has since extended this forecast to last until April 2022.
- The Department has a separate model of the likely demand for asylum accommodation, which was last updated in June 2019. This model does not cover demand for the Advice, Issue Reporting and Eligibility (AIRE) service.

4.4 Providers told us that demand forecasts help them to plan services, but that the Department has reduced the information it provides to them. It is likely that the providers built this uncertainty into their bids, increasing their pricing. Serco and Clearsprings Ready Homes (Clearsprings) said that the quarterly forecasts that they received under COMPASS had not been made available for the new contracts. The Department told us that it needed to update its forecasts before sharing them with providers.

Managing numbers by resolving asylum claims

4.5 The Department has limited control over the number of asylum seekers entering the accommodation and support system but can manage the numbers through its responsibility for resolving asylum claims. Asylum seekers whose claims are granted do not qualify for the Department's support. As described earlier in this report (paragraph 1.7), people whose claims are refused can receive the Department's support in some circumstances, for example if they have children, while they take steps to leave the UK.

4.6 Since late 2018 the Department's approach to processing asylum claims has meant that people in the accommodation and support system may have their claims processed more quickly than people who are living independently. This has slowed growth in accommodated asylum seeker numbers, although overall asylum applications have increased significantly in the same period. In October 2018, the Department withdrew its target of processing 98% of all straightforward claims within six months. The Department told us that since then it has focused on claims from particularly vulnerable people, who are more likely to be supported by the Department. Between 2017 and 2019, the number of applications resulting in accommodation support increased by 51% from 11,089 to 16,782, but the number of people in dispersed (longer-term) accommodation increased by only 6%.

Redistributing supported asylum seekers

Increasing capacity

4.7 The Department wants to increase the availability of accommodation by increasing the number of local authorities who agree that asylum seekers can be housed in their areas. Accommodation providers can only procure housing in local authorities that have agreed to become 'dispersal areas'. As at March 2020, 180 of the UK's 382 local authorities, or 47% had agreed.⁹ Of these, 43 local authorities (24%) do not host any supported asylum seekers in dispersed accommodation. Accommodated asylum seekers are concentrated in urban areas (**Figure 14**).

⁹ This figure only includes principal local authorities with housing responsibilities and therefore does not include English county councils.

Figure 14

Asylum seekers in dispersed (longer-term) accommodation in each local authority, 31 March 2020

Accommodated asylum seekers are concentrated in urban areas

☐ Contract regions

Asylum seekers in the Home Office's (the Department's) accommodation per 10,000 population

■ 40.0 plus

■ 30.0 to 39.9

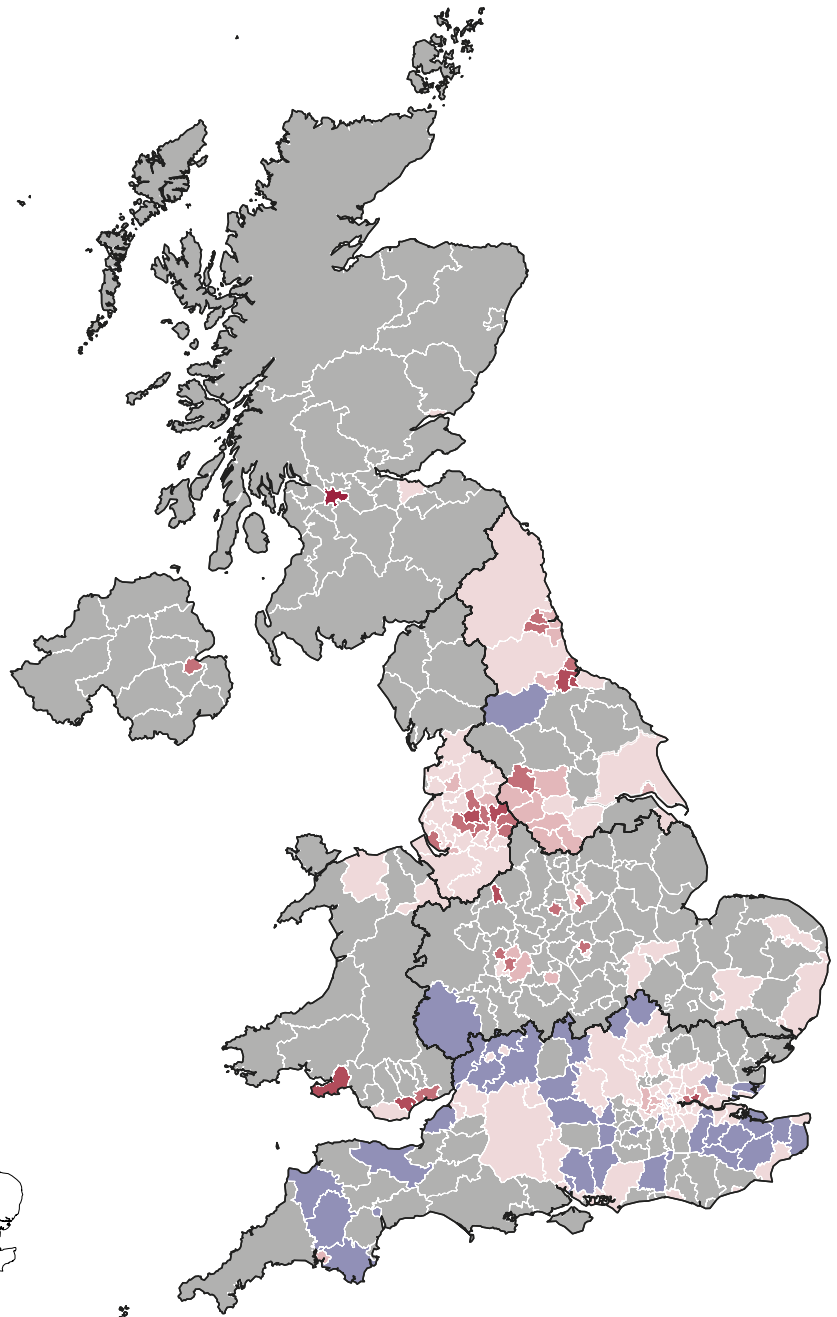
■ 20.0 to 29.9

■ 10.0 to 19.9

■ 0.1 to 9.9

■ Local authority agreement, but currently no accommodated asylum seekers

■ Local authority has not agreed to accept accommodated asylum seekers



Contract regions for asylum accommodation

1 Scotland

2 Northern Ireland

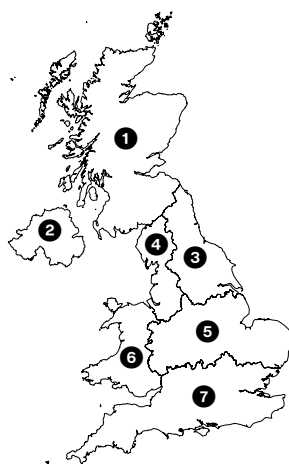
3 North East, Yorkshire and the Humber

4 North West

5 Midlands and East of England

6 Wales

7 South



Notes

1 Data do not include failed asylum seekers housed by the Department.

2 Small numbers of accommodated asylum seekers live in some local authorities that have not agreed to become 'dispersal areas' for the service.

3 This map does not include 69 people living in the Department's dispersed (longer-term) accommodation, since the Department's data do not give a location for these individuals.

Source: National Audit Office analysis of Department data

4.8 There are some barriers to increasing the number of participating local authorities:

- Local authorities face increasing financial pressures.¹⁰ The Department does not provide funding to local authorities for any costs associated with hosting asylum seekers.
- There are potential costs to local authorities of supporting asylum seekers whose claims have been resolved and who are no longer eligible for the Department's support, if these asylum seekers cannot immediately support themselves.
- Some locations are not well suited to hosting asylum seekers, such as those which are remote, rural, lack suitable rental housing or do not have appropriate local voluntary sector organisations and support agencies.

'Rebalancing' between regions

4.9 As well as involving more local authorities, the Department also wants to redistribute supported asylum seekers in line with the general UK population distribution. The North West and North East, Yorkshire and the Humber regions currently have a higher concentration of supported asylum seekers than other regions (**Figure 15**). This reflects the Department's previous efforts to locate asylum seekers away from London and the South East, where most asylum claims have historically been made and where the Department told us most asylum seekers want to be housed. This is for a number of reasons including lower-cost housing in the North. Local authorities asked the Department for a more even distribution across the UK.

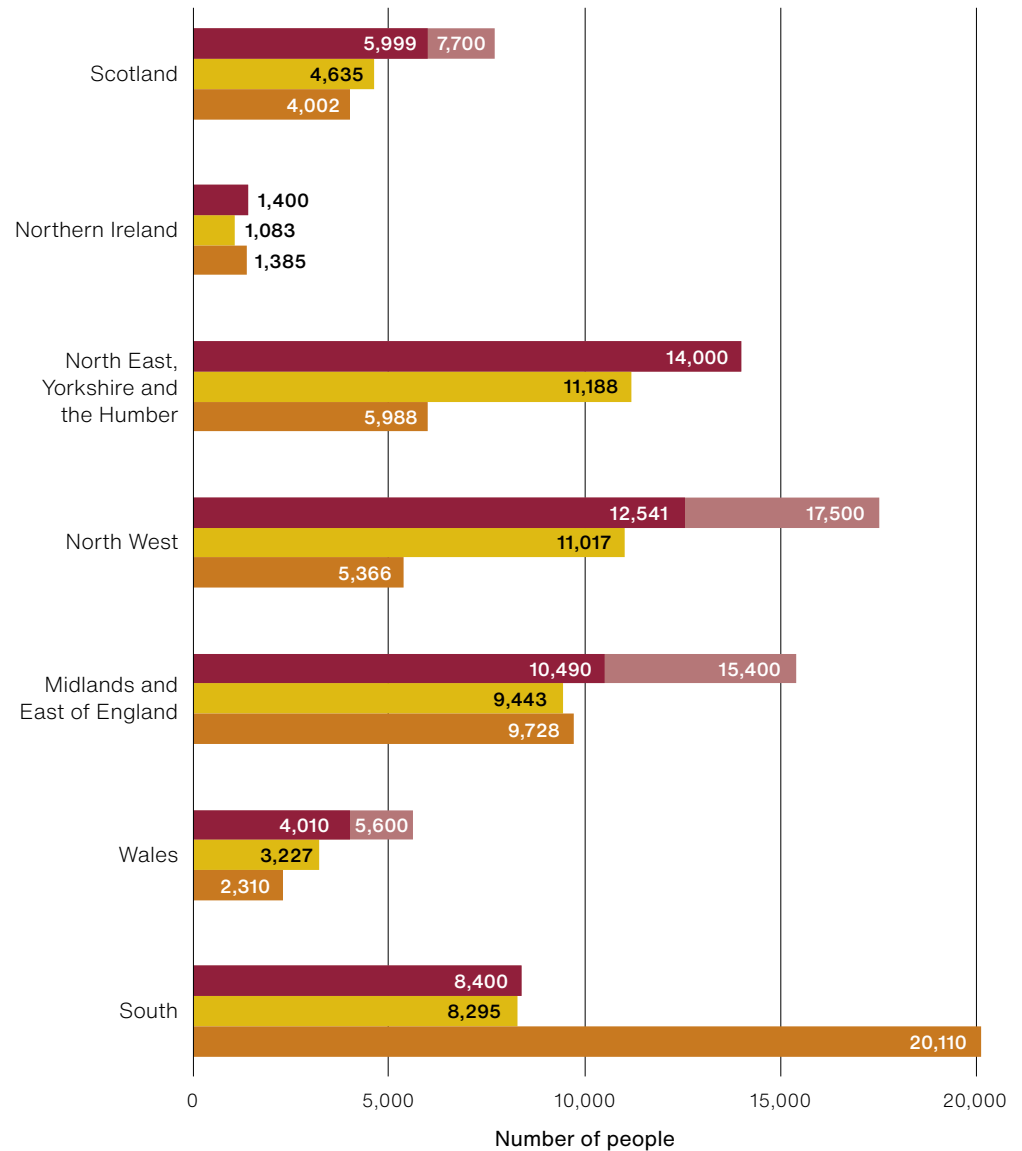
4.10 In July 2019, the Department and local authorities developed a 10-year plan, which aims to make the percentage of supported asylum seekers in each government region match the region's share of the total UK population, known as 'rebalancing'. The plan includes annual target percentages of supported asylum seekers for each government region, which would achieve the overall redistribution by 2029. The Department awarded its contracts to the accommodation providers in January 2019, six months before the plan was agreed, so the contracts do not take account of this aim to change the distribution of those in accommodation.

¹⁰ Comptroller and Auditor General, *Financial sustainability of local authorities 2018*, Session 2017–2019, HC 834, National Audit Office, March 2018.

Figure 15

Accommodated asylum seekers and regional limits, December 2019

The Home Office (the Department) would need to more than double the volume cap in the South to achieve its plan to redistribute accommodated asylum seekers in line with the UK population



- Volume cap, 2020
- Maximum volume cap by end of contract
- Accommodated asylum seekers, 31 December 2019
- Distribution of accommodated asylum seekers if reflecting UK population

Note

1 The Department sets annual limits ('volume caps') each year, based on the number of accommodated asylum seekers in each region on the last day of the previous year. This annual cap cannot exceed the maximum cap for each region set in the contract. The Northern Ireland, North East, Yorkshire and the Humber and South regions already have their volume cap set at the maximum level.

4.11 The Department faces several challenges in achieving this redistribution:

- **Need to renegotiate some contracts.** The accommodation contracts include limits ('volume caps') on the number of people housed in each region, which the Department included to protect providers from sharp cost increases. Once the number of accommodated asylum seekers in a region reaches the limit, the Department must either divert people to other regions that are below their limit, or ask the provider to use its contingency plans for going over the limit. The Department's contracts require providers to have these contingency plans in place and to update them annually. The number of accommodated asylum seekers in the South is already close to the region's limit. If the Department was to redistribute the current numbers of people in line with its rebalancing plan, it would need to renegotiate contract terms with some providers, particularly in the South where the regional limit would need to more than double (Figure 15).
- **Additional cost.** The Department has not calculated the potential cost to achieve its rebalancing plan. The Department typically pays higher prices for accommodation in the South region, in line with the general UK housing market. If the current number of accommodated asylum seekers was redistributed in line with the Department's plan, we estimate it would cost the Department approximately £80 million, before any renegotiated prices above the volume caps. The lack of competitive pressure, since the Department would be dealing with established providers, would be likely to limit the Department's ability to control price increases.
- **Integration with other asylum seeker and refugee support programmes.** The Department has said that, alongside the redistribution of accommodated asylum seekers, it will consider the relative pressures on regions from other housing and support programmes for refugees and asylum seekers, such as the Vulnerable Persons Resettlement Scheme.

Costs over the life of the contracts

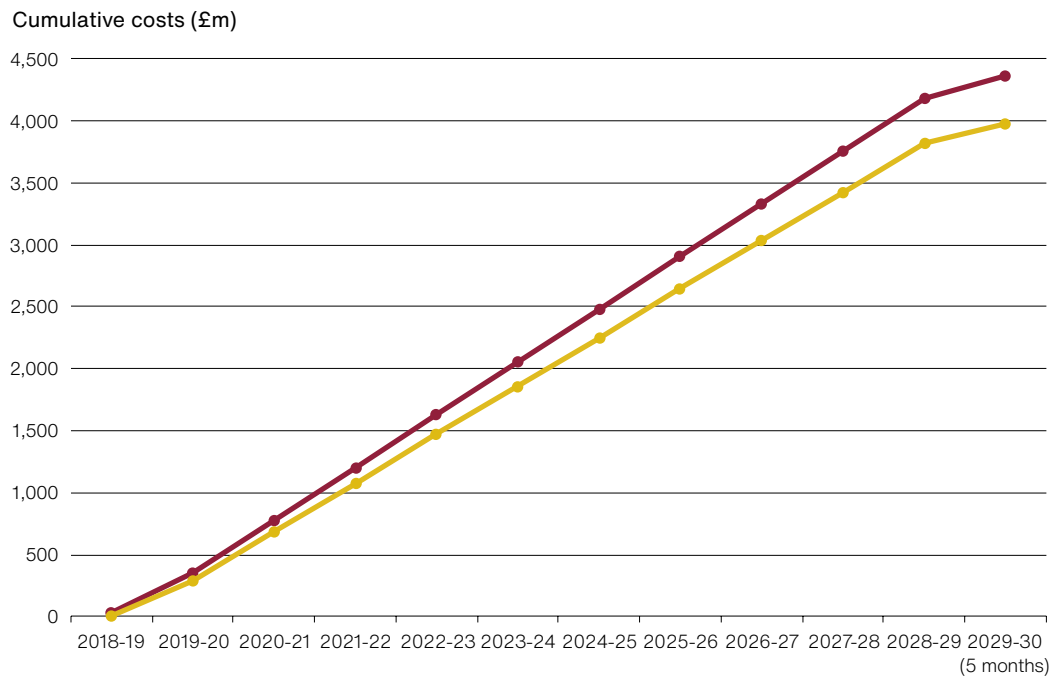
4.12 In December 2018, once it had selected its providers, the Department forecast that setting up and delivering the new services from 2019 to 2029 would cost £4.4 billion (**Figure 16**). Available data suggest that fewer people in dispersed accommodation means that expected costs have fallen by £383 million (9%) to £4.0 billion. Most of this spending will be on the contracts for accommodation (£3.7 billion) and AIRE (£239 million). The Department has not updated its forecast for the total cost of the service over 10 years, nor retained the workings from its original estimate.

4.13 Because the cost of the contract is linked so directly to volume, the Department has limited control over the costs. HM Treasury approved the new contracts on condition that the Department establish a panel to consider reforms for the asylum system as a whole, including a long-term plan for managing costs.

Figure 16

Lifetime costs of the asylum accommodation and support service

Forecast costs have fallen slightly since the Home Office (the Department) approved the contracts



● Original forecast (2018)	24	351	772	1,200	1,627	2,054	2,480	2,905	3,331	3,757	4,183	4,357
● Current forecast	5	294	687	1,079	1,470	1,862	2,252	2,643	3,033	3,425	3,815	3,973

Note

1 All costs have been stated in 2019-20 terms. We have not audited these costs.

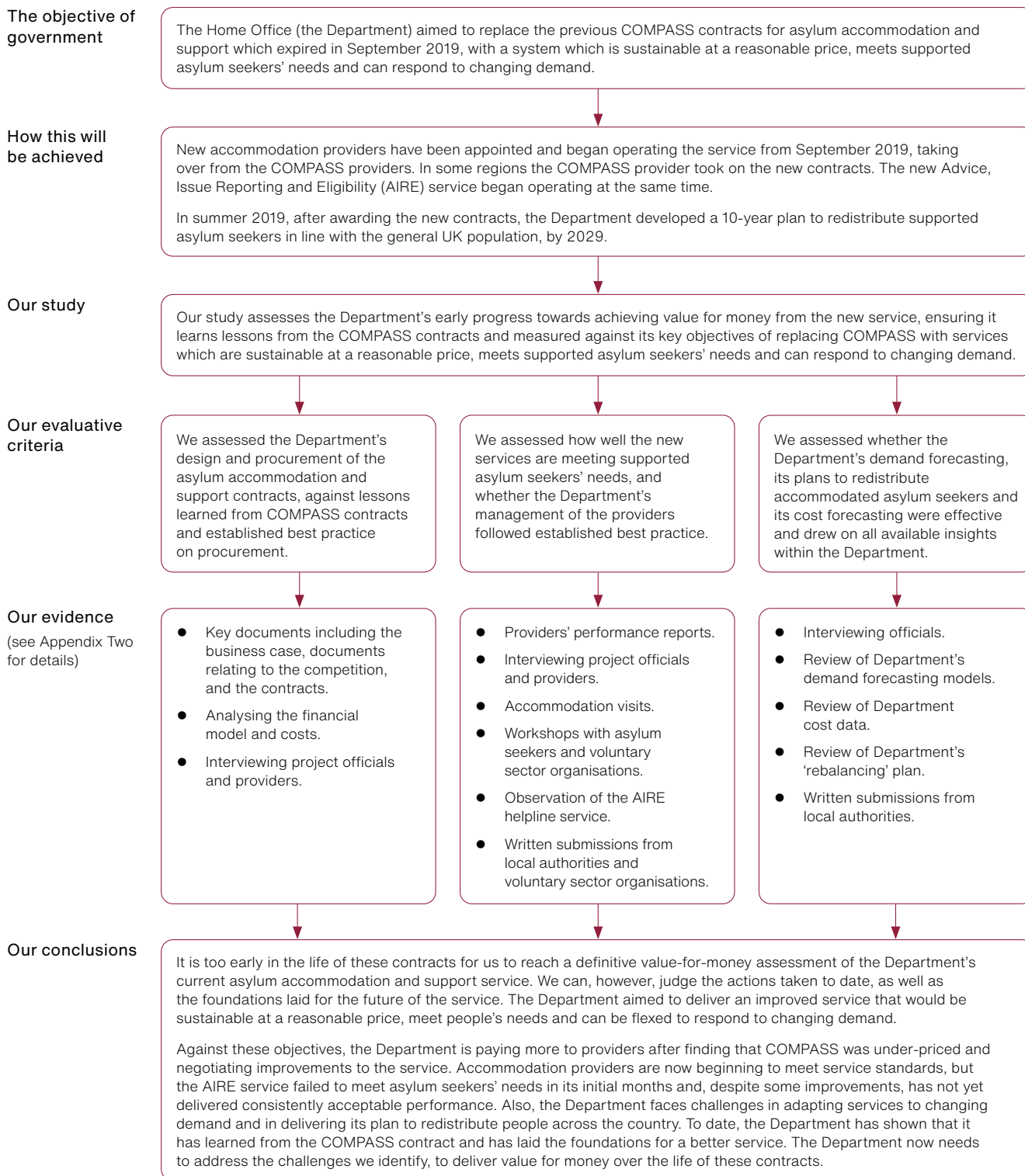
Source: National Audit Office analysis of Department information

Appendix One

Our audit approach

- 1** This report examines the government's replacement of the COMPASS contracts for accommodation and support for asylum seekers, with seven regional accommodation contracts and the national AIRE (Advice, Issue Reporting and Eligibility) contract, which began operating in 2019.
- 2** We assessed the Home Office's (the Department's) progress against its objectives of achieving a system which is sustainable, meets supported asylum seekers' needs and can respond to changing demand. See **Figure 17**.
- 3** Our evidence base is described in Appendix Two.

Figure 17
Our audit approach



Appendix Two

Our evidence base

1 Our independent conclusions on the Home Office's (the Department's) new contracts for asylum accommodation and support were reached following our analysis of evidence collected between December 2019 and March 2020.

We assessed the Department's design and procurement of the asylum accommodation and support contracts.

2 We examined the business case for the new contracts and other project documentation to understand what options were considered and why the Department made changes from the previous COMPASS system. We reviewed documentation from the procurement process to understand how the Department selected the new providers and negotiated details of the contracts with them. We also discussed the procurement process with Department officials, the providers and other organisations who took part in the procurement process but were not awarded contracts.

We assessed how well the new services are meeting supported asylum seekers' needs and the Department's management of the providers.

3 To understand supported asylum seekers' experiences, we:

- visited a range of accommodation in four of the seven accommodation contract regions (the South region and the Wales region, operated by Clearsprings; the Midlands and East of England region, operated by Serco, and the North East, Yorkshire and the Humber region operated by Mears). Our visits included initial accommodation (often hostel-type accommodation, which is intended to be short-term while the Department processes asylum seekers' applications for support), dispersed accommodation (longer-term housing, which people move into once their claim for support is approved), and 'contingency' hotel accommodation which providers use when they do not have enough initial accommodation. We discussed the service with supported asylum seekers during our visits and interviewed staff from the accommodation providers and Migrant Help;
- held two focus groups with supported asylum seekers during our visit to Wakefield, in the North East, Yorkshire and the Humber region;

- held two workshops with a range of national and local voluntary sector organisations working with asylum seekers, at our office in London;
- visited the call centres operated by Migrant Help for the Advice, Issue Reporting and Eligibility (AIRE) service, where we interviewed staff, listened to a range of calls from supported asylum seekers and observed the webchat online service; and
- received written submissions from voluntary sector organisations and local authorities, during January and February 2020.

4 To understand the Department's management of providers' performance, we reviewed the key performance indicators that providers are expected to meet, and the performance data that providers supply to the Department each month. We obtained performance data for September 2019 to March 2020. We interviewed Department staff responsible for managing the performance of providers, and observed Department staff's inspections of accommodation, during our accommodation visits. We discussed the performance framework with the Department and the providers.

We assessed the Department's demand forecasting, its plans to redistribute supported asylum seekers and its cost forecasting.

5 We interviewed Department staff responsible for forecasting demand for asylum accommodation and support and for monitoring the costs of the service. We reviewed the Department's demand and cost forecasts.

6 We reviewed the Department's 'Change Plan' to redistribute supported asylum seekers more evenly around the UK, alongside the limits on the number of supported asylum seekers per region which are included in the accommodation contracts. We discussed the service with local authorities and sought written submissions from them, as described above.

Appendix Three

Previous reports on asylum accommodation and support

Figure 18

Previous reports on asylum accommodation and support, by the National Audit Office and others

Report	Key findings
Comptroller and Auditor General, <i>COMPASS contracts for the provision of accommodation for asylum seekers</i> , Session 2013-14, HC 880, National Audit Office, January 2014	Transition to COMPASS from the previous system was challenging. Providers struggled to establish their supply chains, resulting in poor performance, delays and additional costs for the Home Office (the Department). Commercial negotiations between providers and the Department were unresolved at the time of the report.
HC Committee of Public Accounts, <i>COMPASS: provision of asylum accommodation</i> , Fifty-fourth Report of Session 2013-14, HC 1000, April 2014	Transition did not go well, with overall performance patchy and accommodation standards often unacceptably poor. The Department's management of the transition was poor and it failed to impose penalties on providers in the transition period. The Department and providers failed to work together in partnership and share necessary information.
HC Home Affairs Committee, <i>Asylum accommodation</i> , Twelfth Report of Session 2016-17, HC 637, January 2017	Poor standards of accommodation and lack of protection for vulnerable people, providers housing more people than they were funded for and asylum claimants concentrated in a small number of the most deprived areas. Delays in asylum processing. Inspection, compliance and complaints regimes inadequate. Government should take immediate action to improve standards and monitoring, speed up asylum processing and encourage more local authorities to take asylum claimants. Government should also completely overhaul the COMPASS contracting process.
HC Home Affairs Committee, <i>Asylum accommodation: replacing COMPASS</i> , Thirteenth Report of Session 2017-2019, HC 1758, December 2018	Very little had improved compared with the Committee's 2017 report and mistrust between local authorities and central government had deepened. Government should consult local authorities on the proposals to replace COMPASS, before they were finalised.
Independent Chief Inspector of Borders and Immigration, <i>An inspection of the Home Office's management of asylum accommodation provision</i> , February-June 2018	Department performance in processing asylum claims had deteriorated during 2017 and the Department did not have an action plan in place relating to Home Affairs Select Committee concerns. Limited capacity for Department inspections of accommodation and systematic inspection left to the providers. Barriers to supported asylum seekers reporting issues, inconsistent data from providers and a lack of analysis by the Department. Weaknesses in engagement with NGOs and the treatment of groups of supported asylum seekers, such as pregnant women and LGBTIQ+ people.

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