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National Audit Office – Asylum accommodation and support.

National Audit Office

The National Audit Office (NAO) is the UK's independent public spending watchdog. It scrutinises public spending and help to improve public services through their high-quality audits and through this work, helps Parliament to hold government to account. The head of the NAO, the Comptroller and Auditor General (C&AG) Gareth Davies, is an Officer of the House of Commons and leads the NAO. He has statutory authority to examine and report to Parliament on whether government has used resources efficiently, effectively and with the economy, delivering value for money for the public. In 2019, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.1 billion.

Background

It is for the second time the NAO examines the Home Office asylum support contracts, its first report from 2014 concerned the COMPASS (Commercial and Operational Managers Procuring Asylum Support Services) contract,¹ which was a predecessor to the current asylum support contracts for accommodation - Accommodation Support Contract (ASC) and advice - the Advice, Issue Reporting and Eligibility service (AIRE). This 2014 report found that providers had struggled to establish their supply chains, resulting in poor performance, delays and additional costs for the Home Office. It became apparent early on that the performance, delivery and communication of those new contracts were below what has been expected, therefore the NAO decided it is important to examine how well the Home Office procured and is delivering AIRE and ASC just months into the commencement of those contracts. NAO carried out audit work from December 2019 to February 2020. Performance data in this report are for September 2019 to March 2020.

Outline of the COMPASS contract

The Home Office contracted out accommodation and transportation elements of the asylum support. The COMPASS contract (Commercial and Operational Managers Procuring Asylum Support Services) was delivered across six UK regions by three accommodation providers: SERCO, G4S and Clearer. These companies had separate contracts with the Home Office, which they have further subcontracted to partner private companies in the regions.

¹ Available here: <https://www.nao.org.uk/report/compass-contracts-provision-accommodation-asylum-seekers/>

Please see the table matching contractor with the UK regions (under COMPASS):

Scotland and Northern Ireland	Serco
North West of England	Serco
North East England, Yorkshire and Humberside	G4S
Midlands and East of England	G4S
Wales and South West England	Clearer (Clearsprings and Reliance)
London and East West England	Clearer (Clearsprings and Reliance)

The COMPASS contract was awarded in 2012 and became fully operational in January 2013. The contract was awarded for five years (until 2017) with a possibility of a two-year extension (until 2019). The total cost of COMPASS is not easily accessible, we know however that in the financial year 2011 – 2012 the cost of providing asylum support accommodation was £150 million per year.²

On 8 December 2016, the then Immigration Minister, Robert Goodwill, announced in Parliament that the COMPASS contract will be extended until August 2019³.

Outline of the current contracts – ASC and AIRE

➤ The Accommodation Support Contract – ASC

The procurement process to replace COMPASS started in November 2017, however, there were initially no successful bids from two regions (Northern Ireland, North East of England and Yorkshire and Humberside) and the procurement had to take place again in May 2018. The Accommodation Support Contract (ASC) contract was awarded for 10 years to three commercial providers (please see the breakdown in a table below) on 8 January 2019.⁴ ASC started in September 2019 and will run until 2029 with a break-clause after seven years. The estimated costs of the ASC is £4 billion⁵.

Please see the table matching contractor with the UK regions (under ASC):

Scotland, Northern Ireland, North East England, Yorkshire and Humberside	Mears Group
North West of England, Midlands and East of England	Serco
South of England and Wales	Clearsprings

➤ The Advice, Issue Reporting and Eligibility service – AIRE

² This is in the year preceding introduction of COMPASS. Information according to the NAO, [COMPASS contracts for the provision of accommodation for asylum seekers](#), para 1 page 4.

³ Written [statement on asylum accommodation](#), HCWS335.

⁴ Press release on Gov.uk <https://www.gov.uk/government/news/new-asylum-accommodation-contracts-awarded>

⁵ Ted Europa: <https://ted.europa.eu/udl?uri=TED:NOTICE:461664-2017:TEXT:EN:HTML&tabId=1>

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The announcement about the Advice, Issue Reporting and Eligibility service (AIRE) contract was made by the then Immigration Minister, Caroline Nokes, on 8 January 2019, together with the announcement on ASC. The AIRE contract was awarded to Migrant Help⁶ and it commenced in September 2019. Same as the ASC, AIRE is a 10-year contract with £235 million awarded.⁷ Migrant Help was responsible for delivering previous Home Office contracts on asylum support: Consolidated Advice and Guidance Service (CAGS) and Consolidated Asylum Support and Application Services (CASAS), however, AIRE is not a continuation of the previous services. The aim of AIRE is to *'provide impartial and independent information, advice, guidance and assistance to help Service Users to understand and navigate the Asylum Support System effectively'*.⁸

Preparations to transition to new contracts took eight months and a new unit was set up at the Home Office in order to ensure it is a smooth process.⁹ There should be close co-operation between Migrant Help, accommodation providers (especially their Welfare Officers) and Local Authority Asylum Support Liaison Officers (LAASLOs, who only work in selected local authorities in England) in relation to Positive and Negative Move-On support. Migrant Help, however, should not be responsible for providing people with information about the outcome of their asylum claim, though they can advise about the options that someone has following a refused claim, including returns.

Migrant Help works with four subcontractors across Northern Ireland, Scotland, Wales and England to deliver AIRE work on Positive Move-On. These are the Scottish Refugee Council (Scotland), Welsh Refugee Council (Wales), Reed in Partnership (England) and Bryson Intercultural (Northern Ireland). Negative Move-On support is provided by Migrant Help.

On 23 October 2019 the Home Secretary, Priti Patel, appeared before the Home Affairs Select Committee (HASC) in order to discuss Brexit preparations. Kate Green MP asked a question about problems with the AIRE contract and whether the Home Office can provide any data on issues and delays. The Home Secretary said that she is aware of the problems but stressed that the contract has only commenced. She agreed to provide the Committee with further information. Subsequently, Shona Dunn (Second Permanent Secretary) said that problems are mostly affecting the Issue Reporting part of the AIRE. The Home Office will hold contractors to account and will evaluate delivery after three months into contracts' operation (after the grace period).¹⁰

NAO asylum support report 2020

NAO asylum support report¹¹ has been prepared under Section 6 of [the National Audit Act 1983](#) for presentation to the House of Commons in accordance with Section 9 of the Act.¹² This report examines the government's replacement of the COMPASS contracts for accommodation and support for people seeking asylum, with seven regional accommodation contracts and the national AIRE contract, which began operating in September 2019. It assesses early progress towards achieving value for money for the new contracts, measured against its key objectives and taking into account lessons learned from the COMPASS contracts. Specifically, whether the Home Office:

⁶ Statement of Requirements is available here: http://data.parliament.uk/DepositedPapers/Files/DEP2018-1112/AIRE_Contract-Schedule_2-SoR_-_HOC_Published.pdf

⁷ <http://bidstats.uk/tenders/2019/W06/696451201>

⁸ Statement of Requirements, para 1.1.1, page 3.

⁹ Full information in a [letter from the Immigration Minister, Caroline Nokes to Yvette Cooper, the Chair of the HASC](#), dated 1 November 2018. Includes Statement of Requirements for AASC.

¹⁰ [HASC Oral evidence: Home Office preparations for Brexit](#), HC 67, para 316 page 21.

¹¹ Available here: <https://www.nao.org.uk/report/asylum-accommodation-and-support/>

¹² Available here: <https://www.legislation.gov.uk/ukpga/1983/44/section/9>

1. 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);
2. Is providing appropriate housing and support for all accommodated asylum seekers including vulnerable people, with robust contract management (Part Three); and
3. Has set up a flexible service which can be varied according to demand (Part Four).

Key Facts

- **£4.0bn** estimated value of the new ASC and AIRE contracts between 2019 – 2029
- **48,000 people** seeking asylum lived in asylum accommodation at the end of March 2020
- **A 90% increase** in people in Initial Accommodation (IA) between July – 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 people seeking asylum 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 people seeking asylum spent in initial accommodation before being re-housed in longer-term accommodation, between September 2019 and February 2020. The Home Office expects most people to be rehoused within 35 days
- **more than 1,000** accommodated people seeking asylum 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 people seeking asylum in their area, March 2020

Report findings

The number of people supported under asylum support provisions has more than doubled since 2012, to around 48,000 in March 2020, but has been relatively stable since the beginning of 2019. NAO has established **four areas** which they looked at in order to scrutinise new contracts, these are: sustainable services (part 2), appropriate accommodation and support (part 3), flexible services to meet changing demand (part 4), conclusions on value for money.

Sustainable services

- The Home Office **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 were insufficient time and market appetite to design and implement more radical options while maintaining the services.**
- The Home Office 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

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improvements to the service in return for paying providers more, such as additional household goods and more information for those using the service.

- There are indications that **the Home Office could have secured better prices for the new contracts**. The size of the contracts and the market perception of COMPASS limited competition. In NAO's view, if there had been more suppliers taking part in the competition, the Home Office 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.

Appropriate accommodation and support

- The Home Office **made improvements to accommodation and support services with the intention of better supporting people seeking asylum**. It introduced a new national AIRE service, run by Migrant Help so that people seeking asylum could raise issues and access support independently from the Home Office and the accommodation (ASC) 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 accommodation (IA). Voluntary sector organisations who work with asylum seekers supported these changes.
- **The majority of people who were on asylum support 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 an 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 Home Office and local authorities.
- **Accommodation providers are now broadly meeting performance standards set by the Home Office**, but providers new to their contract regions struggled in the early months. The Home Office 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 NAO 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

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required and made it harder to move people into longer-term housing on time.

- The new advice and support service, **AIRE**, **failed to meet the needs of people on asylum support 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.**
- **The AIRE service is not yet sufficiently integrated with the accommodation providers to provide an efficient service for people seeking asylum**. 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 NAO auditors that their systems are not automatically linked together, or to the Home Office'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.**
- **The Home Office could make better use of information, to assure itself and others that providers are delivering services that meet people's needs**. **The Home Office primarily relies on providers to submit their own performance data, as it can only carry out some checks against their own data.** NAO auditors have seen instances where providers reported incomplete or late data. The Home Office 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 NAO that they would like information on the performance of the service to help them better support people. However, **the Home Office does not currently publish data on the contracts' performance, contrary to the Government's current policy.**

Flexible services to meet changing demand

- **Most people on asylum support have been moved from Initial Accommodation (IA) 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 IAs 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 asylum support housing (IA or dispersal accommodation, DA). 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 IA 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 IA on 24 March 2020, a stay of at least 86 days. While in IA and hotels, people seeking asylum 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.**

- **The Home Office 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 Home Office 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.**
- **The Home Office may have to negotiate changes to the contracts and pay more to achieve its aspiration to redistribute people on asylum support more evenly across the country.** In July 2019 the Department and local authorities agreed on a plan for the proportion of people on asylum support 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, NAO auditors estimate this would cost an additional £80 million. As the provider in the South is already very close to accommodating the maximum number of people seeking asylum in its contract, the Home Office would need to renegotiate prices should numbers increase. Meanwhile, **the Home Office wants to increase the number of local authorities (180 of 382 authorities or 47%, in March 2020) agreeing to house people seeking asylum 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.**

Conclusions on value for money

- **It is too early in the life of these contracts for the NAO auditors to reach a definitive value-for-money assessment of the Home Office's current asylum accommodation and support service.** They 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.
- Against these objectives, the Home Office 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 the needs of people on asylum support 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 Home Office 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 the NAO auditors identify, to deliver value for money over the life of these contracts.

Report recommendations

The Home Office should:

- 1) **Build on its existing work with Migrant Help, to improve the performance of the AIRE helpline.** Now that

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Migrant Help is answering calls more quickly, the Home Office 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;

- 2) **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;
- 3) **Encourage the AIRE and accommodation providers to automate links between their systems,** to more efficiently resolve issues affecting people on asylum support, 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;
- 4) **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;
- 5) **Update demand forecasts and share these with providers,** particularly in the light of the Covid-19 pandemic and related changes to demand patterns;
- 6) **Prepare for the likelihood** that the Home Office 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
- 7) **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.