



National Audit Office

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## **Report**

by the Comptroller  
and Auditor General

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## **Home Office**

# COMPASS contracts for the provision of accommodation for asylum seekers

# Summary

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

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

**3** Specifically, we have sought to investigate:

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

## Transition

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

## **Operational performance**

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

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

## Concluding comments

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

## Recommendations

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

The Department should work with providers to ensure that they:

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