

Home Affairs Committee

Oral evidence: [Asylum Accommodation](#), HC 637

Tuesday 13 September 2016

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[Watch the meeting](#)

Members present: Tim Loughton (Chair); James Berry; Mr David Burrowes; Nusrat Ghani; Mr Ranil Jayawardena; Stuart C. McDonald; Naz Shah; Mr Chuka Umunna; Mr David Winnick.

Questions 171-281

Witnesses

I: Gary Christie, Head of Policy and Communications, Scottish Refugee Council, Susan Munroe, Chief Executive Officer, Freedom from Torture, and Councillor David Simmonds, Chairman, Asylum, Refugee and Migration Taskforce, Local Government Association.

II: Chris Shipman, Chairman, Orchard & Shipman, and Rupert Soames OBE, Chief Executive, Serco Group plc.

Written evidence from witnesses:

- [ACC0008, Rupert Soames OBE, Chief Executive, Serco Group plc](#)
- [ACC0010, Rupert Soames OBE, Chief Executive, Serco Group plc](#)
- [ACC0011, Rupert Soames OBE, Chief Executive, Serco Group plc](#)

In the absence of the Chair, Tim Loughton was called to the Chair.

Examination of witnesses

Witnesses: Gary Christie, Susan Munroe and Councillor David Simmonds.

Chair: Welcome to our witnesses. Before we start, can I ask for any declarations of interests from Members?

Mr Jayawardena: I should declare that Serco's corporate headquarters are in my constituency. I say that for the avoidance of doubt.

Q171 **Chair:** Thank you.

We are looking at asylum accommodation this afternoon. We had witness sessions at the beginning of the year with G4S, Clearsprings Group and Jomast. We said we would come back to this subject, so I am very pleased to welcome our three witnesses for the first half of this afternoon's session. Can I ask each of you in turn, perhaps starting with Councillor Simmonds, about your role in helping to find accommodation for the dispersal of asylum seekers around the country, and your experience of the standard of the accommodation that you come up against? We might then focus a bit on Scotland, as I know Mr McDonald will want to come in on that.

Councillor Simmonds: The starting point is to recognise that there are lots of different schemes for the support of asylum seekers and refugees. I know that this Committee has spent a lot of time looking at the COMPASS contracts placed by the Home Office for the dispersal of people who are waiting for their asylum claim to be determined. That is entirely separate from the Syrian vulnerable persons relocation scheme. It is separate also from the arrangements for unaccompanied asylum-seeking children. There are different groups involved in those different parts of government, as well as different funding rates, different strategy and different policy.

Turning to the specifics of the COMPASS contracts, they have been in existence, I think, since 2011. The board that I chair at the LGA brings together councils from around the country that work through the regional strategic migration partnerships to engage with that process. The bottom line is very simple: those contracts were placed and secured on the basis of saving £140 million on the previous costs of providing that service and, therefore, the contractors, with which I do have some sympathy, can only place people in the lowest possible cost accommodation that can be sourced anywhere around the country. So it is not the case that councils like my own in Hillingdon are being asked to accommodate people and are saying no. There is no accommodation available even below the national benefits cap, and the basis of the price for the COMPASS contracts is a one third reduction on what that costs, so it is simply not possible, financially, within those contracts to place people outside a relatively small number of places.

Q172 **Chair:** So what you are saying is the amounts are just not viable for a large chunk of the country, particularly London?

Councillor Simmonds: Yes, there is absolutely no accommodation to be found. If you look at Hillingdon again, we have people who are placed by the COMPASS providers in short-term accommodation and are resident in the borough. They are there for a couple of days and then they are moved on to longer-term accommodation, but you cannot rent a property and provide the money for food, utilities and so on, which are required, within the price of that contract in almost all the country. That is why if we look at Yorkshire and Humber, there are 40 council wards in that area that have more asylum seekers placed through COMPASS than all four regions in the south-east of England. That is purely down to the financial viability of the housing that is available in those areas.

Q173 **Chair:** Are you effectively saying that where accommodation is being provided, in some cases it is not fit for human habitation?

Councillor Simmonds: I don't think that's for me to say. The councils that are represented around my table have had significant concerns about it. They have reflected back concerns about cleaning, the quality of accommodation and the appropriateness of it, given what may be happening in that wider community and so on. It is inevitable, because of that contract price, that it will always be the absolutely rock bottom price accommodation that is available, because it is always going to have to be not only cheaper than the general market, but significantly cheaper than the type of accommodation in which a local authority would place people.

Q174 **Chair:** So what are the members of the committee you chair from around the country saying about the sustainability and viability of this arrangement? Presumably, if the accommodation is of a very low standard, it is going to give rise to other problems for those families, such as health problems, and it will be your council colleagues picking up the pieces when things go wrong beyond just the standard of the housing itself.

Councillor Simmonds: You are absolutely right; that is already happening. We need to be realistic. Around the country, there is a huge variation in both the supply of accommodation and the price. We have representatives, for example from parts of the north-east, who are saying that yes, within that contract price, they can find a newly refurbished small family home that they would regard as being fit for purpose and in which they would consider placing somebody who is entitled to that accommodation through the local authority. In other parts of the country we are seeing properties that are in poor condition and hearing very varied feedback from those residents. We would all accept that the purpose of this contract was to save money on the cost of supporting asylum seekers in the UK. That's why it was done—to save that money—so we would expect the accommodation to be found as inexpensively as possible, but in some parts of the country, the feedback suggests that it is crossing that line.

Q175 **Chair:** Ms Munroe and Mr Christie, there have been particular problems in



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Scotland that you have flagged up regarding the quality of asylum accommodation, and the Committee looked briefly at that before. Have things improved as a result of those complaints? Are things just as bad as they were? Why is it particularly bad in Scotland?

Susan Munroe: Speaking for Freedom from Torture, I am taking the perspective specifically of survivors of torture who are perhaps more vulnerable than most asylum seekers. Our experience is that things haven't improved. Freedom from Torture published a report, following research in 2013, that identified some really poor accommodation. Our research in 2016 suggests that it is still the same as it was, so I would say that things haven't improved. Our experience is, compared with other parts of the country, that while nothing is great, our clients report worse problems in Glasgow, and they also report poorer attempts to resolve complaints and issues.

Q176 **Chair:** So when there are complaints, is the response of the providers indifferent or negative? Or are they just not capable of doing anything about it?

Susan Munroe: Generally indifferent, either until our clients come to us and we escalate something for them, or, in some cases, after they have to take legal action to get a resolution. The resolution is always slow and often inadequate.

Q177 **Chair:** Are you seeing more complaints? Are you having to take more legal action than you were a year or so ago?

Susan Munroe: We ourselves don't take legal action; our clients will do that. I am sorry—I don't know about that.

Q178 **Chair:** Mr Christie, what is your experience?

Gary Christie: Our starting point is that we published research in 2014. That was a period when we used to see every asylum seeker. We provided a one-stop service, so lots of people came to us reporting accommodation problems ranging from those about physical conditions and amenities, to being housed in unsuitable accommodation. Frontline staff in agencies such as ours and public bodies had to be involved in resolving issues of people's accommodation, low awareness of people's rights and entitlements regarding their accommodation and their surroundings, and the impact on their mental health. Many of the issues chime with previous reports conducted by other committees.

Since that research, there have been some high-profile media articles in Scotland highlighting issues such as quality of accommodation, treatment by staff and initial accommodation, as well as people being put in hostels and hotels in place of initial accommodation.

We do not see every asylum seeker now; we see a small proportion through our family service. Even there, we still witness some issues that we have to resolve on behalf of clients. When there are issues, they are around quality, treatment and understanding of entitlements.



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There have been some developments. Serco has set up a third sector forum to engage with us and other stakeholders in Glasgow, and that has led to our seeking to resolve issues such as the translation of occupancy agreements, so that people know what to expect in their accommodation. We have witnessed the Home Office looking to expand the number of inspections that it conducts. In summary, there have been a number of issues and many remain, but things have been put in place to try to rectify them.

Q179 Stuart C. McDonald: Just to pick up on a point that Mr Christie raised, we set off down the road of asking about bricks and mortar and the importance of putting a roof over people's heads, but it is important also to understand that this contract is not just about providing a physical space and that there is much more to what must happen in accommodating asylum seekers. What should be involved in a COMPASS contract and what other aspects of the contract should we be examining today?

Susan Munroe: You are absolutely right. It is important. The evidence suggests that about 30% of asylum seekers are likely to be survivors of torture and therefore likely to be traumatised individual people. Our experience is that many of them also need disabled accommodation. One of our challenges is with the Home Office. We find it is always ready to accept that our clients require specialist accommodation to support their disability and needs, and to agree with us if there should be a change in the accommodation. There is a key performance indicator saying that the provider has, I think, nine working days to accommodate a change for people in such circumstances. We find that we are often waiting months to get new accommodation and there seems to be a lack of understanding of the problems with that.

To give you an example, one of our clients who was in a wheelchair was accommodated in a property that had steps to the bathroom and kitchen, which he was therefore completely unable to use. Eventually, he had to take legal action to be moved to suitable ground-floor accommodation.

For our clients, there are also significant issues around being accommodated in houses of multiple occupancy. Very often, for our clients, some of the symptoms of post-traumatic stress disorder are flashbacks, hallucinations and, particularly, nightmares, and that makes them unpopular housemates because they disturb their other housemates during the evening. That can lead them to being harassed and bullied by their housemates, leading to a very distressing situation for our clients.

Councillor Simmonds: At a national level, the key ask from local councils would be to make the system more joined up. As a very practical example, we know that a proportion of those who are housed through these contracts will ultimately have their asylum claim refused. In only a very small proportion of those cases do those people leave, so they are evicted from their accommodation, at which point the local authority, under other pieces of national legislation, normally has to re-accommodate them in a different sort of home. According to a survey done by the No Recourse to



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Public Funds Network, to which I think around 170 local authorities responded, that is already costing authorities £28 million a year. They are supporting people who are not legally allowed to be in the UK, but to whom local government has an obligation. It seems logical to join up that process more effectively.

Similarly, with the Syrian scheme and the unaccompanied children scheme, one challenge has been making sure that you can see the read-across. A particular area may be taking very large numbers of people as a dispersal area, and therefore may not have a lot of spare capacity when it comes to taking Syrians. Having a scheme that has been constructed through dialogue with local authorities that come forward to say, "We have capacity to offer; we can take in children, or families, or people with disabilities who need a certain type of adapted accommodation," has given a much smoother flow of people into the UK, and a much higher quality of support.

Gary Christie: I concur with colleagues and I would also add an example. I mentioned the increased use of hostels and hotels for initial accommodation. We know that that has led to a reduction in health assessments of people arriving, because we don't know where people have been scattered. The asylum system needs to be joined up and to link into other services such as legal representation, health and education. The model for this accommodation contract is housing-led. The focus is on securing housing, and there is not necessarily a consideration of all aspects of what is essential for the welcome and reception that asylum seekers need in an area.

Another aspect is community preparation for dispersal wherever that is going to happen. Work needs to be done to prepare communities ahead of dispersal. These are all aspects that are required around accommodation that are not the primary focus, because the primary focus is securing accommodation at the cheapest price.

Moving forward, if the Home Office is to extend the contracts with the current providers, as you said, the focus has been very much on the quality of accommodation, and I think some of the KPIs need to move beyond that and to look at issues around community cohesion and where providers are putting accommodation. They need to look at issues of equality and the type of people moving into that accommodation. Finally, they also need to look at the wellbeing of the people in that accommodation and see how they are getting on, rather than simply at the bricks and mortar, as you said.

Q180 Stuart C. McDonald: Serco and other providers have written to us in the past to point out that the number of service credits levied against them in a previous year has fallen to a certain level, and that various inspections give them positive reports and so on. Why does there appear to be a massive disconnect between what the system of inspections and complaints is apparently throwing up and your experiences on the ground? Is it essentially that the inspection and complaints processes are not up to scratch?



Councillor Simmonds: I can make an observation about it based on my experience in Hillingdon. I think a lot of it comes down to simple things like language barriers. It comes down to fear. When people are newly arrived in the UK and are applying for asylum, they are not sure what is going to happen. They are not sure what rights they have at that stage, and they are not necessarily sure what the process is.

In fairness to the contractors, they have made efforts and strides in this direction, and the responsiveness that I have heard about definitely seems to be going in the right direction, but I know Serco has been saying since 2013 that it is losing money on every single person it places through these contracts. The Home Office—understandably, having secured a very favourable price—is extending those contracts for a further period of time. What we need is a serious reflection on whether that is delivering what we need delivered, and whether some of the lessons from the other programmes, of which the Syrian one is probably the best, can be applied to what is happening with this particular group of people.

Gary Christie: This goes back to some points around people's understanding of their rights and entitlements. For example, having a welcome pack and an occupancy agreement in English is not necessarily going to help people whose first language is not English to understand the systems that face them when they first arrive in the country. People may not necessarily disclose information to the Home Office or to housing providers, so there is a range of factors. I agree that the provider has put in some mechanisms, and we have now seen some effort from the Home Office to put more things in place, but there will always be some disjuncture between the facts and figures in compliance reports and people's experience on the ground.

Q181 **Stuart C. McDonald:** One of the ideas behind this way of contracting was to try to simplify things with six main contracts, but really only three, with each main provider having two each. As I understand it, in actual fact we have ended up with something like 14 subcontractors, and many more sub-letting procedures below that. Has it improved accountability, responsibility and transparency, or is it just as bad as, if not worse than, before?

Councillor Simmonds: It is a major challenge. Wearing my hat as a Hillingdon councillor, I have experience of Orchard & Shipman, with whom we had a contract, and they were good and effective. We generally found them to be a positive partner in that context. Nevertheless, when you look around the country, what is clearly happening is that the contract price is being secured, a local group is being tasked with finding a provider, and the provider may then subcontract out some of that property. For a local authority that is having concerns raised with it, it can be a challenge just to find out who is ultimately responsible. If you are being passed between a landlord, a contractor and a subcontractor, that can be a major challenge in resolving the issue.

Gary Christie: On the face of it, it is simple for the Home Office to have six contracts and three providers, but there is a complex supply chain in



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relation to the main provider—in Scotland it is Serco, then Orchard & Shipman, and then all the private contractors that Orchard & Shipman provide. There is an issue with how you get issues resolved effectively. Who are the key people you will go to along that supply chain? On the face of it, it would have seemed simple for the Home Office, but a whole layer of complexity is masked behind that simplicity.

Susan Munroe: I agree with what both my colleagues have said. I would also add that there is something really important about the independence of inspection, particularly as we get down to subcontractors and sub-subcontractors. There needs to be some way of inspecting against the culture and attitudes to asylum seekers of the people who are delivering of the contracts, because they are not good. Freedom from Torture analysed an audit that was done by G4S after the Middlesbrough incidents alongside one that was done by the Home Office. In the same inspections, G4S identified 14% of issues that needed an emergency response, whereas the Home Office found 90%. There is clearly a challenge around inspecting yourself, because it doesn't work. Freedom from Torture would call for independent inspectors to be inspecting accommodation, going right down to subcontractor level.

Q182 **Nusrat Ghani:** My question is for you, Councillor Simmonds. Concerns have been expressed about the variation among services provided by G4S and Clearsprings in the UK. What variations have you observed between the different providers in respect of the accommodation provided? I would like you to note a quote from a previous employee of Orchard & Shipman, who said, "I would describe some of the properties that we've come across as slums. In essence, asylum seekers are living in the poorest-quality accommodation in the city."

Could you also provide us with some information on the differences in staff members' attitudes? Can you reflect on an article in *The Times*, which reported that asylum seekers were routinely shouted at, with a former staff member stating: "As soon as they walk through the door they get bawled at. Everything has got a threat behind it"?

Councillor Simmonds: The starting point of the Home Office contract is to reduce costs as far as possible. As I think anyone would expect, that has knock-on consequences throughout the process, with both the quality of the people who undertake it and the quality of the accommodation. Over the years in which I have been involved in this, my sense is that there has been an improvement overall. The number of serious concerns I have heard coming back from member councils has diminished. It has not gone away, by any means, but it has diminished. Some of the very striking examples that simply seem totally unacceptable—like having a promise that you would put no more than a certain number of people in a given area, but then renting an entire hotel in a city centre and filling it with young men who had previously been soldiers in opposing armies, and expecting that all to be fine—seem to have diminished to the point where we are not hearing about them anymore.



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Local authorities prosecute landlords on a regular basis when accommodation is inspected and found to be sub-standard for a variety of different reasons. Clearly, resource is always going to be an issue because that is an expensive process. You never recover anything like the costs of undertaking that prosecution from the people who are found guilty in that circumstance, but those prosecutions do continue. Because of the very high level of demand for accommodation, clearly what landlords are proffering in a lot of cases is not adequate. So I don't disagree with any of the descriptions that you have given. I think those stand for themselves really.

Q183 Nusrat Ghani: You talked about "the quality" of people who are recruited. Do you want to elaborate on that? What does that mean?

Councillor Simmonds: It is going to be variable. It comes down to things like the capacity to explain to people in a way that they can understand what the issues are, which are basic customer service skills. That might not be your highest priority if your job is to process people as quickly as possible. It is about making sure that when inspections are being carried out and when accommodation is being looked at, those who are doing that have an eye to, "What are the rights of the person occupying the accommodation?", not just, "How cheap can we possibly make it?" It is those kind of issues. Anybody who has ever rented a property privately will be aware that there is variation. When we start to get into people who are incredibly vulnerable and who may not have any understanding of the system, those issues then start to be writ large.

Q184 Nusrat Ghani: Ms Munroe mentioned that 30% are survivors of torture and then we had some discussion about the English language being a barrier for complaints being processed. Surely we can come up with a system where we can try and log when a complaint is made, how it is processed and what the outcomes are, to see what differences there are within an organisation over a 12-month period. Why has that not happened to date? Who should be responsible for that, Councillor Simmonds?

Councillor Simmonds: As I think Susan Munroe has described, the responsibility for that process sits with the contractors. You need to ask them that question and potentially ask the Home Office what arrangements it has to supervise that to make sure that it happens. It would generally only come to the attention of a local authority if it was discovered—through an environmental health inspection or something like that, or through a complaint from the occupant—that it was not fit for habitation and a prosecution was undertaken, but that is never going to capture anything like the morass of people who are saying that the water supply isn't adequate, the electricity supply is not adequate, the place is not being cleaned, or the food that is provided or that is made available under the contract is not of an appropriate standard—things like that. The contractors are contracted with an element of undertaking that work and I think you would need to ask them. I think you have the opportunity later on to ask two of them what measures are in place.

Q185 **Nusrat Ghani:** Would you agree that the contractors are consciously ignoring their duties?

Councillor Simmonds: I don't think I would go as far as saying they are consciously ignoring them. I think they are dealing with a very complex system in which a multiplicity of subcontractors are clearly not always doing what they should be doing, and they are doing it within the constraint where all the incentives say they need to do this as cheaply as possible. So there is not much in the way—

Q186 **Nusrat Ghani:** Are the contractors responsible for the subcontractors?

Councillor Simmonds: Yes.

Q187 **Nusrat Ghani:** So they are consciously ignoring some management.

Councillor Simmonds: Consciously or unconsciously.

Q188 **Mr Winnick:** But Councillor Simmonds, do you really feel that the Local Government Association, which you are representing, and local government in general have done sufficient to ensure the conditions are better than what have been described previously to us, as well as by my colleagues today?

Councillor Simmonds: I think that question links back to my initial observation, which is that there are multiple different schemes for supporting refugees who come to the UK. Those bits that are under the control or management of local authorities—unaccompanied asylum-seeking children and the Syrian vulnerable persons relocation scheme, and the housing of people who come as refugees who have been given their asylum status—are done by local authorities, and those people are entitled under British law to be treated exactly the same as any other British citizen who finds himself in need of the same services.

Q189 **Mr Winnick:** You accept that entirely. They should be treated in a manner like any other person in the UK.

Councillor Simmonds: Yes. Our law is absolutely clear on that. People have been given a legal status in the UK. They are entitled to access benefits. They are entitled to work. They are entitled to everything that they would be entitled to if they were born or brought up here. I think local government has not a brilliant, but a pretty decent record. We accommodated more than 4,000 unaccompanied children last year. Many of those children who passed through Hillingdon have gone on to university to do really well and to contribute as fantastic members of our UK community.

Again, with the vulnerable persons relocation scheme for Syria, people are being housed by local authorities, so we know that the quality of the accommodation that is being offered is of a standard that we would consider appropriate to provide as a local authority—it complies with our obligations under UK law. The feedback of those who have been through that programme so far is that that accommodation is of a decent and appropriate standard.



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The key difference is that those things are at a level, which means that we are not looking at rock bottom prices for accommodation. Also, they are done on a voluntary basis, largely, so the local authorities that are coming forward know that they have the capacity and the appropriate quality of accommodation before they take people in.

Q190 Mr Winnick: And therefore those who take commercial responsibility—you made this point earlier, I think, to Mr McDonald, did you not?—or those companies involved are all making a profit. Our next witnesses are from Serco and Orchard & Shipman, and we will ask them questions accordingly. Leaving aside the question of whether they make a profit or not, you do accept that they have accepted the contract, for whatever reasons—we will probe on that—and that once they have accepted the contracts, they have the responsibility along the lines that you have just indicated.

Councillor Simmonds: Correct. If a local authority houses somebody, it is responsible for ensuring that that accommodation is of an appropriate standard. I would say that if they were housed by a contractor, the contractor has that responsibility.

Q191 Mr Winnick: Ms Munroe and Mr Christie, when the head of UK Visas and Immigration was giving evidence to us last week, she said that the inspections system or regime, call it what you will—the Home Office one—has improved, and that they are taking account of past complaints and being more proactive than previously. Do you accept any of that?

Susan Munroe: I would accept that they have improved it. They are certainly continuing to make efforts to continue to improve it as well. We have both just come from a meeting of the asylum accommodation advisory group that meets with the Home Office, and have been hearing about the latest inspection. However, I think they would also acknowledge that the sorts of things that they can inspect are still very much about the fabric—the bricks and mortar—and around the KPIs that have to be met under the contracts, but it is very clear that they also need to start inspecting around the wellbeing of the residents: how they feel, how they feel that they are being treated, and how their accommodation is impacting on their lifestyle in the UK and, in particular, in Scotland.

Gary Christie: I would concur. I think that they are making efforts in establishing an asylum accommodation board. I think they were surprised about media reports telling them things that they were not receiving through the channels of engagement that they have with their contractors. So they have highlighted to us, and used opportunities to flag up, serious issues directly, but an additional part that there has to be is not just more oversight by the Home Office, but more oversight by local authorities. This programme is set up, and it is the responsibility of the contractor to find accommodation. I think there has to be more oversight of where that accommodation is located and how it is procured.

Susan Munroe: The very first meeting of the asylum accommodation advisory group identified—it was identified by the Home Office, but it is



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fairly well recognised—that people who are dependent on the Home Office to give them their status are unlikely to complain to the Home Office about their accommodation. As a result, they set up a series of forums that the British Red Cross is now facilitating to enable feedback directly from residents in asylum accommodation to the British Red Cross as a third party. We have also had some initial feedback from the first meeting that was held last week, which was also surfacing the same sorts of problems as we have been describing.

Q192 Mr Winnick: No one expects that asylum seekers will be provided with conditions that anyone could describe as luxury, and they do not expect it. What concerns us is not simply past complaints, but continuing complaints of pest infestations, lack of heating or hot water, windows and doors that get locked, and a general sense of accommodation that is simply unacceptable for any person, particularly children, to have to live in. We have had evidence from Bradford, which a colleague will no doubt ask you about. How far can we be satisfied that the situation is anywhere near as satisfactory as the three of you would wish to see, bearing in mind what Councillor Simmonds said it is necessary to provide in all circumstances?

Susan Munroe: Again, I would say that an independent inspection done by somebody who has nothing to do with the Home Office or any of the providers is really the only way that we can be satisfied. An important element of that is giving residents a voice to enable them to express how they are feeling and what is happening in their accommodation.

Chair: Can we come to dispersal and other resourcing issues?

Q193 Mr Umunna: Councillor Simmonds, thank you for giving evidence to us today. Do you think that all local authorities should be involved in some way, shape or form in providing asylum seeker support?

Councillor Simmonds: I would say all local authorities are involved in some way. Again, it comes back to the variety of different mechanisms that we have. There are councils like my own, which have very large numbers of unaccompanied asylum-seeking children. Like most London authorities, we would not be considered by any of the contractors for dispersals because there is no accommodation available below the national housing benefit cap, never mind at a price that would be within the affordability of the contract. If we look around the country, the pattern is very similar. We have large numbers of refugees who are in London and the south-east of England. They are not refugees who have been placed by the Home Office at rock bottom price because that is simply not affordable. They are a mix of people. Some are self-supporting and some are staying with their extended family. Many of them are accessing or using council services, from languages to social care. They are accessing school places for their children and a whole variety of different things, but they are not people who are covered under that specific contract.

When we look at unaccompanied children generally—

Q194 Mr Umunna: Can I stop you there? As you have just partly outlined in



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your answer, you have different local authorities providing different levels of support. Arguably, if you were incapable of providing the support and you did not have the capacity to provide the support, to some extent that is a decision in and of itself, is it not?

Councillor Simmonds: It is, and it is a decision that the UK needs to—

Q195 **Mr Umunna:** Can I just stop you there because I don't have long. A large number of local authorities do not participate in asylum-seeker dispersal. Do you think that is acceptable?

Councillor Simmonds: I think I have explained the circumstances of that.

Q196 **Mr Umunna:** I know, and I have just said to you that to some extent that in and of itself is a decision. Not to have the support and not to have the capacity to provide the support is to some extent, in itself, a decision.

Councillor Simmonds: If I had accommodation that sits below the benefit housing cap, or sits within the affordability of the contracts that have been let by the Home Office, I would be inclined to offer it, but people are not asking us to provide that accommodation because they cannot fund it.

Q197 **Mr Umunna:** That might be your situation in Hillingdon. Granted, you have said, quite rightly, that there are a variety of reasons why some local authorities do not provide support, but when we look at the list that we have of the numbers of people who are provided with support by local authorities, there is a bit of a pattern, in the sense that areas with high social needs and complex social problems seem to be many of those areas that actually take on and provide that support, while wealthy, better-off areas often don't. I am asking you if that is acceptable.

Councillor Simmonds: I think it is a simple situation. The more people are dependent on the support of the state, the less likely the state is to send them to places where it is very expensive for them to live. That applies with the COMPASS contract and a variety of other things. It is not down to the willingness or otherwise of individual local authorities. That is the system that we have set up, and which Parliament has willed into being.

Q198 **Mr Umunna:** Do you deny that there is a choice being made here by some local authorities?

Councillor Simmonds: We are seeing what is happening in places like Kingston. The leader of Kingston has come forward very actively in the Syrian scheme to say, "Although it is going to cost my taxpayers a lot of money, I am going to make available as much accommodation as I possibly can," so people have done that. In Hillingdon—

Q199 **Mr Umunna:** Just to go back, my point is: are you denying that there is a choice being made?

Councillor Simmonds: There is always a choice being made in politics.



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Mr Umunna: That is my point. Can I move on to my next question?

Q200 **Chair:** Before you do, can I just ask Councillor Simmonds a question. Your authority, according to my table, has 210 asylum seekers under your aegis, and Lambeth has 24.

Councillor Simmonds: Yes.

Q201 **Chair:** So is it just a question of the less well-off authorities taking greater numbers than the richer ones?

Councillor Simmonds: The big challenge is counting people who are covered by multiple different schemes. If you look at where is the largest population of Syrians in the UK, it is in Ealing. Most of those people are not there because they have been accommodated by Ealing and because Ealing has made a political choice that it wants to take them in; it is because there is a community there that people have chosen to go to. In Ranil Jayawardena's constituency, I am aware that the county and district councils have come forward to house people under the Syrian vulnerable people scheme, although that is an expensive area. So most parts of the country are doing something, but when we look at a Home Office contract that is entirely based on where the cheapest possible accommodation is, it is not surprising that 40 wards in Yorkshire and Humber, where cheap accommodation can be found, are accommodating most of these people. It is not a choice by Yorkshire and Humber authorities to say "We want to bring those people here." It is a decision made by contractors, who have to fit within a contract price.

Q202 **Mr Umunna:** The point that the Chair makes, for the record, does not necessarily disprove the point I am making, because if you look at the highest numbers in the list that we have been provided with, you are looking at Rotherham, Liverpool, Manchester, Sandwell—I see Ms Munroe next to you is nodding. They are areas that have high social needs and high levels of deprivation. My question to you—I note that you don't deny that there is in part a choice being made here—is what are you, as an association, doing to encourage local authorities that are not providing the support that others are? What are you doing to encourage others?

Councillor Simmonds: The choice is initially, of course, made by Parliament when it sets the budgets and when it decides what these schemes will be, so that defines where people go. You ask what I am doing and what my organisation is doing. I think we see the evidence in the vulnerable persons relocation scheme for Syria. We had a very early dialogue. Myself and Lord Porter, the chairman of the LGA, were part of the Cabinet sub-Committees that looked at that. We engaged with Theresa May when she was Home Secretary—now she is the Prime Minister—and Ministers. We agreed a funding regime. We were asked if we could accommodate 20,000 people by 2020. We now have enough offers of accommodation, one year into that scheme, to accommodate all those 20,000 people, entirely on a voluntary basis, with local authorities doing it. So it certainly can be done. The same applies with children. We have seen a doubling of the numbers for unattended children—again on a voluntary basis.



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Q203 Mr Umunna: Do you think we should be leaving it to contractors to determine to some extent where dispersal happens? One of the things that came out of the evidence session as part of this inquiry that we carried out with different agencies and providers in Middlesbrough was the degree to which a lot of the influence over where people get dispersed—I take your point about the cost of accommodation—is actually left to contractors. Just to explain the background to my question, Councillor, it is one thing putting people where you can afford, under the contracts, to put them, but that is only half the story. Do you not also need to think about whether an area is set up to integrate newcomers so that they have a relationship with other people in the town and you don't see some of the tensions that can arise in these places, with Middlesbrough being the obvious example?

Councillor Simmonds: The key ask from councils is to be involved much earlier in the process, because where we see those voluntary schemes, people are settling into parts of Hampshire without a ripple on the landscape. The NHS and local schools are able to accommodate these people. The local authority has come forward and identified where they are going to go, and the process works fine. The issue becomes where you have, for example, a large group of people who are not allowed to access a GP and are then suddenly all turning up at the A&E service at the local hospital when it is not remotely geared up for that. You can have an early conversation that says, "What capacity do you have, and what nuances are there to that? Do you have adapted accommodation for people with physical disabilities? Do you have capacity in your local children's mental health services?" If you do that and you make sure that people are matched with those services, the system works much better than if you say to a contractor—I have sympathy with them, because to an extent they have been stitched up by the Home Office on this—"You have to do this at an absolutely rock bottom price," because that utterly constrains what you are able to provide and the consequences of that are not a surprise.

Q204 Mr Umunna: As local authorities, do you think that you are getting enough funding from central Government to enable you to support people adequately? I am talking in terms of not just accommodation but some of the wider integration issues that I just pointed out.

Councillor Simmonds: The more that needs doing, the more it costs. At the moment, the experience of local authorities that are volunteering has been positive, and the funding available for the Syrian scheme, for example, is significantly better than what is provided for under the COMPASS contracts. Certainly, feedback from places like Wakefield, which I know has had particular community tensions, is that they feel that the resources that come to their local area have not been sufficient to manage some of the consequences, and then word clearly has got around to say, "You need to be very wary of being a dispersed area." Overall, there is not sufficient funding to do everything that the Government aspire to do when it comes to supporting refugees.

Q205 James Berry: Councillor Simmonds, before we get into the price of



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accommodation, there is of course the issue of social housing waiting lists. In somewhere like Kingston—the situation is probably not dissimilar in your borough—we have more than 9,000 people on the waiting list and numerous families in temporary accommodation in boroughs quite far from Kingston. So, even if we wanted to provide accommodation, we do not have that accommodation available, and to the extent that it is available, there is a lot of pressure from the 9,000 people on the list not to have their place compromised. That is why we have only 40 people on the list you were provided with, and that is probably the same reason why Lambeth only has 24—it probably has a very large housing waiting list as well. There are other parts of the UK where there is an excess of housing stock. Is that one of the reasons why we see uneven dispersal?

Councillor Simmonds: Yes, and it is how we are bringing people who are asylum seekers and refugees. The decision Germany has made is that it needs to augment its population. It is writ sometimes quite small. If we look at the situation in Coventry, it has been very vocal in wanting to come forward to take in refugees. Coventry Council has been faced with a situation where schools may have to close because there are just not enough children to make them viable, so you can see from the local authority's point of view there is a win: not only can they do something which is valuable in itself by supporting refugees, but they can also support the existing local community by making the schools that serve them viable. That is, again, one of the strengths of a voluntary scheme.

Q206 **James Berry:** Turning to cost, is the reality that if you wanted to have an even dispersal of asylum seekers across the UK—assuming there was sufficient accommodation—the pricing would have to be flexed so that there was rather more money provided to boroughs in London and other expensive parts of the country than areas where housing unit costs were a lot cheaper?

Councillor Simmonds: You are absolutely correct. If you look at Hillingdon, the local housing cap is set through the benefits process and there is no accommodation available of any kind at all below that cap. That cap itself is roughly a third higher than the maximum that is allowed when it comes to people who are asylum seekers. So, by definition, the contractor is not going to be able to find accommodation in those areas. If the Government are of a view that they want to spend a good deal more on supporting asylum seekers in order to ensure a more consistent dispersal across the country, that is a debate that would have to take place at the national level.

Q207 **James Berry:** So assuming that the overall budget remained the same, if you were going for an even dispersal, you would be accommodating many less people.

Councillor Simmonds: Very significantly less.

Q208 **James Berry:** You mentioned my council leader, Kevin Davis, who I believe was one of the first to call for all councils to take vulnerable people from Syria under the scheme. One of the problems we have found in Kingston is a lack of availability. We have actually asked people to give



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up spare accommodation. A number have—it is absolutely fantastic that they are doing that huge public service—but a lot of people ask me, “Why can’t we just provide our spare rooms for vulnerable refugees?” Ms Munroe, I think you touched on this. Isn’t there quite a strong case, particularly for family groups, for people to be provided with their own accommodation, especially those who have gone through torture and other horrors in Syria, because there will be issues that make it very difficult to live with a family in the UK? Is that right?

Susan Munroe: That is absolutely right. There are some quite significant behavioural challenges faced by people who survive a torture experience. That is also one of the reasons why I have slight concerns generally about wide dispersal. People who have been traumatised need access to services. Asylum seekers need access to legal aid, which we know is not available in some of the areas that people are being dispersed to just now, so that makes it extremely difficult for them to apply for asylum.

Q209 **James Berry:** One does hear some politicians saying, “It’s not acceptable—these people are all in Bradford and Birmingham and other such places,” but there is a strong case, is there not, for people who have suffered torture in particular being close to hospitals, psychological services and other support that is available to people who have gone through torture?

Susan Munroe: And other specialist services that can support them, yes.

Q210 **James Berry:** Indeed. I read with interest the report that the National Audit Office has just released, which says that 55% have suffered torture or other serious violence. Are you able to say whether that is accurate or not? Is it roughly accurate?

Susan Munroe: It is very difficult, because no empirical research has really been done, but the research that is available suggests that between 10% and 30% of asylum seekers are likely to be survivors of torture. However, work that was done in Glasgow by the Home Office suggested that nearer 70% of people who are accommodated in Glasgow and are seeking asylum claim that they have been tortured.

Q211 **James Berry:** What about those coming on the Syrian vulnerable persons relocation scheme?

Susan Munroe: It is very interesting that none of them have been referred to Freedom from Torture—so far, anyway. We have only 10 Syrian clients across our whole organisation, and most of them have come through the “normal” route, if you like, so they are not on the VPR programme. We think that that is largely because there is no central co-ordination. Services are not being co-ordinated and joined up, there are no clear referral patterns in place, and people are not being assessed and therefore diagnosed as needing help.

Councillor Simmonds: It is probably worth saying that one of the criteria used by the UN High Commissioner for Refugees, which identifies people for the Syrian scheme, is having been a victim of torture. It would be interesting to hear what it is like on the ground, but that part of the



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process should already have been done before the person arrives; they do not need to do it for themselves, having arrived in the UK.

James Berry: Thank you all very much for all that you are doing.

Q212 **Mr Jayawardena:** Councillor Simmonds, could I perhaps ask a different question, which I am sure draws out the same point relating to local authorities? Could it not be that the Home Office is actually being very efficient by retaining a low per-person housing allowance that requires contractors to house people in certain parts of the country, thereby getting good value for the taxpayer while also ensuring that people are housed appropriately?

Councillor Simmonds: Taxpayer value is an interesting question. The outline of what you have described is almost the opposite of what Mr Umunna described. One of the big challenges for a local authority is the risk of cost shunts. What you achieve as a saving on the Home Office contract by, for example, saying, "We are no longer going to pay for accessing GP services" means that the local hospital, through its A&E, suddenly picks up a load of extra costs. Saying, "We are not going to specify anything to provide appropriate educational support" means that the local authority needs to step in. The same goes for saying, "We are not going to provide appropriate social care through the contract." So that is one of the issues with it.

Q213 **Mr Jayawardena:** Specifically on the housing point and the example that you gave earlier, I know we have already looked at examples in Greater London, but compared broadly with other parts of the country, London is a high-cost place to live. Would it not be better to be able to house a lot more people somewhere else than fewer people for the same amount of money in London?

Councillor Simmonds: I absolutely, 100% agree with that. From the point of view of the country, that is the right thing to do. The clear question is that Parliament wants that accommodation to be a certain minimum standard—

Mr Jayawardena: Absolutely.

Councillor Simmonds: We need to ensure that it is.

Q214 **Mr Jayawardena:** Yes, but the location is irrelevant to the standard. The standard should be good wherever it is, but lower cost areas make it more possible to have decent accommodation at a reasonable price for the taxpayer.

Councillor Simmonds: For more people—correct. Absolutely.

Q215 **Mr Jayawardena:** Further to that, given the different costs but also the different resources and expertise that different local authorities across the country have, would you, either in your own personal view or on behalf of the LGA, agree that "one size fits all" would not be the way to go? Would you be explicit about that, given that, as you said, councils can say, "We will take x people, because we believe that we can do that,



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and do it well," rather than everyone being compelled to take a fixed number simply because the Government says so?

Councillor Simmonds: I entirely agree. The LGA has been very vocal: one size does not fit all when it comes to this. That is the reason why we lobbied for the Syrian scheme to operate as it does, and in my view it is one of the reasons why it has been a small success story in the UK's overall response to the refugees.

Q216 **Mr Jayawardena:** My last point is about the resettlement of the 20,000 Syrian refugees whom we wish to be able to help over the next four years. The Home Secretary announced last week that enough local authority places had been secured. Would you not agree that our resources are best spent on delivering this promise and providing a safe and secure life for the 20,000 people who are to be settled through the VPRS, rather than encouraging more asylum seekers to make dangerous journeys across the Mediterranean and across the continent to come to this country, possibly illegally, by saying that we will have ever more places under the general scheme?

Councillor Simmonds: Yes, and I think local authorities that have extensive duties to people for housing, school places and so on would be very clear. There will always be political differences, but I think we would all agree that the more elastic you want that number to be, and the more people the UK decides it wants to accommodate, clearly the more resources are required to make it happen.

Q217 **Stuart C. McDonald:** I want to pick up on a point that you raised, Councillor Simmonds, in response to Mr Jayawardena. It is about this idea that COMPASS contracts have made savings. A quick comment from each of you would be good here. You sort of mentioned that it is not so much making savings as displacing costs, and that various changes have been made in moving from the old system to this one. Has it increased costs for local government, for the NHS and for the third sector? Are you aware of any comprehensive research on what that displacement has been?

Councillor Simmonds: Yes. Comprehensive research, no, but there is quite a lot of anecdotal evidence, and we could gladly supply some of that.

Gary Christie: Not in terms of research. I just know that we are using resources that we would prefer not to be using to resolve accommodation problems, and I am sure that many third-sector organisations and public bodies would say that as well. We would prefer to be doing our job than things like that.

Stuart C. McDonald: If you could provide those anecdotes, that would be helpful.

Q218 **Mr Burrowes:** On the future of the COMPASS contracts, which have come in for a fair amount of scrutiny in recent times and in various Committees—Public Accounts, the NAO and this Committee as well—we heard from the Home Office that it is still considering whether to renew



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the contracts for a further two years. Do you support an extension, or do you believe there needs to be a fundamental reworking of that contract, or a re-tendering?

Councillor Simmonds: A fundamental reworking would be the option of choice. When we started the engagement around the Syrian scheme, there were options on the table that ranged from bringing former Army camps back into use as a means of accommodating large numbers of people very quickly, which is probably a very cheap way of doing it but does not really reflect what the UK wants to be when we look at being a place of sanctuary, through to almost the other end of the scale—to saying that we need a comprehensive financial package of support. It seems to me that the issue with the COMPASS contracts is that we have crossed the line in some of those types of accommodation, and that they are, because of the contract price, simply not adequate for a standard that any of us would recognise as appropriate.

Consistently the message seems to be that we have contractors who are saying, “We would probably prefer not to have our contracts renewed, because we are losing money on every family that we place.” How sustainable is that in the longer term? I think a fundamental reworking would be the ideal choice, but we need to recognise—this is partly a parliamentary choice, not a local government one—what the resources are that Parliament and Government want to put into that.

Susan Munroe: I would agree that a fundamental reworking is what is required. However, I would guard against that being done very quickly. I think it needs a little bit of time to enable it to be done properly, and therefore an extension of the contract as it is just now is probably what is required. However, I would also suggest that consideration be given to building in further safeguards. For example, at the moment, evidence apparently can’t be shared with us about the extent to which the contractors are achieving their key performance indicators. We know of instances where they are definitely not delivering to their key performance indicator, and we are not aware of any sanctions because of that. There needs to be a lot more transparency around that, and there also needs to be some consideration given to adding additional key performance indicators around wellbeing, which might just help improve things in the short term until we can get a better contract in place.

Gary Christie: I would agree. Time will be the factor, in terms of when decisions have to be made to extend the current contracts. I think amendments can be made to some of the KPIs to maybe consider some of the issues that we have already identified. I do think that there needs to be a fundamental rethink of how these contracts are delivered—and maybe a review of dispersal itself. If we consider why dispersal was introduced, it was to relieve pressure on the South, and to get people out of hotel accommodation. The situation now is that we have pressure in the North-West and people in hotel accommodation. I think there needs to be a review of dispersal itself. Moving forward, there has to be a role for local authorities and, whether by going back to the contracts that existed before or to some other partnership, there must be oversight by local authorities



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and the devolved Administrations, which have a big role to play in relation to integration, the provision of legal representation in Scotland, and interpreting a whole number of different factors. So yes, a fundamental rethink.

Q219 Mr Burrowes: I understand that. I suppose the easy part is saying that there need to be additional KPIs and additional oversight, but in terms of being realistic and delivering that, we will no doubt hear from Serco in evidence that the losses—the £1,850 per user per year—mean that it is taking a huge financial hit. In terms of the market, if there was a retendering, what is the capacity for other organisations, beyond the current providers, to be able to take that financial hit in the broader interest, and also to make the step change—the improvements—that you say are needed in this reworking of the contract? Are we able to square the circle within the financial envelope that the Government have put down?

Councillor Simmonds: From a UK plc point of view, the present contractors are clearly very big outsourced service providers; they make a good profit overall from doing that. There are probably one or two other firms that, in the event of a retendering, would be able to put forward a tender and, potentially, have the capacity to deliver that sort of work. I guess the challenge for all of them is that they have all been pushed into a position in which the Home Office has been very clear—"Don't bother bidding unless you're going to deliver a very significant level of saving." I guess for those companies' boards, there will have been a decision: "Do we do this as a loss leader, almost, in the context of overall having contracts for prisons, children's homes and all sorts of other stuff?" However, you have to ask the question: if you know that those organisations are continuing to lose money on the contracts, at what point does that simply become not sustainable? What we see when we undertake a retendering exercise is a very large jump in price. We know that happens in all sorts of organisations, public and private, at that point.

What would be more helpful is strategic discussion, at governmental level, on what we actually want to offer, in terms of support for asylum seekers and refugees, what processes we want to have, or what outcomes we want to achieve. We should do it on that basis, rather than purely as a transaction between the Home Office and a potential provider.

Q220 Mr Burrowes: Finally, is there anything to be gained by looking at a wider package, beyond simply the public funds that are focused around the contract? Is there any other further voluntary or in-kind support that will not necessarily lean on the public purse, but can actually provide a better overall level of support for the asylum seeker?

Councillor Simmonds: Yes. A good example is Bradford, which has used the Cyrenians, I think they are called—they have a longer name, but that is how I have had them described to me—an organisation that provides integration support to people. It uses volunteers and community organisations, so the available money goes further on the back of that. Most councils around the country will do that to some extent. Clearly, if



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the total amount of funding is so far below even the minimum cost, that will make a problem. That seems to be symptomatic of some of the placements under COMPASS.

Q221 Mr Burrowes: Very finally—obviously linked to Syrian refugees—with the focus on welcoming refugees and the community sponsorship schemes that are kicking off, is there any scope for that to be extended beyond the designated VPR and other relocation schemes into a wider package of voluntary and other kinds of support that can also provide that level of attention for asylum seekers who are perhaps on the doorstep, when some well-meaning members of the community might not realise?

Gary Christie: I would agree. I think that the contract needs to be looked at in the round with these other programmes that really were not there before—around the transfer of children, around relocation of children, and around community sponsorship. In Scotland, I know at least 50 small organisations that have emerged since the refugee crisis. Some are being contracted by local authorities. Some are doing work voluntarily with local authorities. These are areas of Scotland that did not have asylum seekers or refugees.

The ability to create expertise in these areas can benefit other programmes, but if the Home Office looks at each of these things separately, that is not going to happen. I think there is capacity. The danger is as well that this group are seen as highly problematic, which adds to the narrative that these are bad refugees compared with the good refugees who have come through the Syrian scheme and are well supported because they are well funded by central Government to local authorities. We need to guard against that narrative going forward.

Q222 Naz Shah: First, before my question, can I thank you—particularly Ms Munroe? Jude Boyles often tells me of the fantastic and amazing work you do for asylum seekers and torture sufferers. My question to all three of you is this: apart from this opportunity to contribute and give your opinions on the contracts, are you engaged with any Departments in terms of being at the table to advise on what these contracts need to look like?

Councillor Simmonds: Yes. Lord Porter and I have attended the cabinets and committees in the setting up of the Syrian scheme. I have had regular meetings with Ministers in each of the Departments involved and with other people, including everyone from the Children's Commissioner, who has a degree of oversight of the legal process, to the Mayor of Calais, who has a clear and important stake in some of the debate going on about things like the Dubs amendment. Those organisations, NGOs and charities—I met Homes for Good and Social Work First yesterday, both of which are organisations involved in this space. There is certainly a large hinterland of organisations that are in a position to provide help. Clearly one of the challenges is corralling them all in the right direction, particularly in the context of multiple different schemes and arrival routes.



Susan Munroe: Again, yes, both collectively and individually, mainly with the Home Office. In the past six months or so we have found a significant change in attitude from the Home Office. It is much more approachable now, with the new director of asylum operations in place. He is clearly trying to work much more collaboratively and to engage the NGOs in thinking about how things can be improved. He has set up the asylum accommodation advisory group, which had its fourth meeting this morning. An example of the benefits derived from that is the updated allocation of accommodation policy that has recently been published. It is a best-practice example of the Home Office working with an NGO and defining a new policy that protects the needs of vulnerable people within the asylum process. That should be commended.

Gary Christie: Yes, there are opportunities to engage with the Home Office both down here and regionally in Scotland. We were presented today with initial thoughts and thinking around the future direction of contracts. I don't know if that is because we were coming here to speak in front of this Committee, but they set out their plans for engagement. It is appropriate that the Home Office reaches out far and engages with NGOs, as well as the devolved Administrations, which have a lot to play in future in terms of the provision of support to asylum seekers and refugees.

Chair: Lady and gentlemen, thank you very much for your evidence. If anything further comes up that you have not covered here today and you would like the Committee to see, please feel free to write to us.

Examination of witnesses

Witnesses: Chris Shipman and Rupert Soames OBE.

Q223 **Chair:** Mr Shipman and Mr Soames, thank you very much for coming in this afternoon. I saw you sitting in on the previous sessions, so you have heard the evidence given so far.

Mr Soames, you have heard the contracts described as loss leaders. I think you made provisions in Serco's accounts for £155 million of losses on these contracts last year. You don't want to be in this business, do you?

Rupert Soames: We are in this business. We are in the business of providing services to Governments, be that running prisons or providing care for asylum seekers, in both this country and others; it is not a matter of wanting to be or not. I was brought into the business two and a half years ago, because it was considerably troubled, to turn it around. One of the decisions I had to make from the get-go, as chief executive, was what we were going to do about these large contracts that are losing money and are potentially going to lose a lot of money. The strategic decision that we took from day one was that we were going to pay the money—we were going to do what it cost to fulfil our obligations.



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I was interested to hear one of the earlier witnesses say that you cannot procure property at the sort of prices that are within the COMPASS contract, and for many places he is right. So, we don't procure property at those prices; we procure property for much, much more money. On average, we are paid £300 a month per asylum seeker, and on average an asylum seeker costs us £450 a month. A large part of that is that we are paying more for the property than we are obliged to.

I want to make a couple of things clear, if you will allow me. Our starting point is not the cost of the property but whether it meets Home Office standards. Within property that meets Home Office standards, we clearly seek to get the best value we can. A Committee member said that the standard of accommodation we are providing is horrific, and there were quotes about it being slum accommodation. I put it to you that there may be many unsatisfactory things about the dispersal and so on, but by the lights of this contract, which was to provide safe and decent accommodation to asylum seekers while their claims are being processed, this contract is actually working very well at an operational level.

We are providing accommodation for 15,000 people across the North-West and Scotland in accommodation that is to the Home Office standards, which are not incomparable with the standards of much private rented accommodation in the UK. On top of that, it is the most inspected accommodation in the UK. There is no social housing accommodation in the UK that is subject to this level of inspection.

Q224 Chair: Can we come back to that? My original question was: why do you want to be in this business? You have reinforced the point that you are losing a lot of money on this part of a public service contract that you have. You are a private company, accountable to shareholders, and you are going to continue to lose money on this contract, based on how you are running it. If you had come to this company new and were considering taking up these contracts for the first time, surely you would have said, "Thanks, but no thanks."

Rupert Soames: The reasons why the contracts are losing money for us are varied. One is that we under-bid. The price was too low. I have to say that a system of reverse Dutch auction conducted over the internet may not be the best way to establish pricing for a contract to provide care to tens of thousands of people, but that is up to us.

The other reason why it is losing so much money is that we were led to expect, in good faith, by the Home Office, that the numbers of people we would be looking after would be broadly consistent over the period of the contract. Broadly consistent? They are up 200%. We are now looking after 8,000 more people than at the start of the contract. There has been a massive expansion in the number of asylum seekers coming into this country. Just look at the latest statistics from the Home Office: up 41%, year on year. So the Home Office and the contractors have had to deal with hugely many more.

Q225 Chair: So were you duped by the Home Office?



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Rupert Soames: No. I wasn't here—

Chair: Was your predecessor?

Rupert Soames: I don't think it is helpful to go into whether we were duped. We are a grown-up company; we went and signed a contract; it is losing a lot of money; it is going to lose £145 million over its life; and we will pay that, because we have an obligation to the Government. We have put an infrastructure in place to look after these people and we feel very passionately about looking after asylum seekers well.

We have told our shareholders. I personally went to the City and said, "Can you give us £700 million to put our balance sheet in order, so that we can go and continue our obligations under the contract?" And one of the things that is galling about this is that, having said that we would spend the money, and we are spending the extra money to make sure that we deliver an extra service, when we are looking after overstayers at our own expense—we are looking after 122 people at the moment for whom Home Office funding has been cut off, but we cannot bring ourselves to go and say to those people, "You're out of here". For two years we have been looking after a double amputee in Scotland whose funding has been cut off. It is quite galling to hear people imply that we are rapacious, that we are just doing it for the money—whatever. We have an obligation—

Q226 **Chair:** Well, I think the opposite is true then. As I say, I am making out that clearly you can't be doing it for the money, because you're making a big loss on it, which is why I am trying to understand: is it purely a sense of corporate social responsibility that therefore is leading you to continue to want to look after people at a huge loss to your shareholders and at a rate far greater than you might have anticipated from the Home Office estimates, which your predecessor signed that contract on?

Leading on from that, it is quite clear to me, and I guess to the rest of the Committee, that when these contracts come up for renewal, unless they are radically different, you will be saying, "We won't be having any more of that, thank you very much", and at that point your corporate social responsibility comes to an end.

Rupert Soames: No, it is not a corporate social responsibility; it is a strategic choice that we serve Governments. And we do a lot of very, very sensitive things for Governments. I mean, we are helping to run Fylingdales; we have a big defence business; we run prisons—

Q227 **Chair:** Do you make money on all of that?

Rupert Soames: We do this in Australia. We will never walk away from a contract that we have with a client. Sometimes we get it wrong, and we have about 40 contracts that are losing us money, and we have other contracts that are making us money, but we will not walk away from them. We have an obligation to the Government that says, "You will provide accommodation, as required, to this standard for these people," and we will do that.



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My view is, and I have to say that I'm slightly split on this point because here is Serco losing £24 million a year—£145 million—and it would be quite nice for us if the contracts were not extended. As a taxpayer, I say to myself, "Well, actually, why wouldn't they? Why would they turn around and—?", because the quality of service being delivered is what the Government asked for. I think what the Committee needs to decide is whether the standards of accommodation are appropriate or not.

In terms of extending the contract—what a new contract would look like—I think there are some different things. On the dispersal arrangements, essentially it has just begun to move over this last year. But we have had a 200% increase in asylum seekers and, as Mr Umunna was talking about earlier, essentially the dispersal footprint has not changed.

Just to be clear on this, it is not the operators who decide where we are going to put people; the numbers of people by region are allocated by the Home Office. Within those regions, we then have to go to the local authorities, which have agreed to take these asylum seekers, and they have to approve each home. They have to say, "It's okay for them." And there are large numbers of areas that are not taking in asylum seekers, particularly in Scotland—

Q228 Chair: I understand all that. I am just trying to get to the bottom of the economics of this and what happens after your contracts come to an end. So are you suggesting that if the prediction for the number and type of asylum seekers that you will have to take on in the next period of this contract on offer is broadly the same as it is now, and if the contract was therefore worth an additional, say, £155 million, which would cover the shortfall you have now, you will be tempted to take up the contract again, or would it need to be drastically different?

Rupert Soames: No. We have built up expertise and skill, infrastructure and relationships with landlords over the past four or five years. I would say this £145 million is the most expensive bit of R and D we have ever done, but we will have developed an expertise in this and I am sure that we will want to continue to serve the Government in providing this. But clearly the economics will have to be different. That is one thing. But there are other changes that could help that. As I say, dispersal is a problem because it is concentrating people in areas and that is one reason why the rents are high. Then there is the wraparound care for the NGOs. We work with the NGOs, but while we are taking people to the doctor and we are making sure that their children go to school, essentially we are a big housing operation. The wraparound of the NGOs and how that gets managed could be improved.

Q229 Chair: Okay. As a final point, just to be clear, the fault of you losing this amount of money on the contract, you admit, is your company's—your predecessor—for having signed this contract. You made a miscalculation. The Home Office has pushed it a bit, but you are prepared to take one for the team because you owe a duty of care to the asylum seekers and that is the kind of business you are in. There will be no grudges when you come to retender for the contract?



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Rupert Soames: The Government, our biggest customer in the world, would naturally be furious if we were to turn round and say, "I'm terribly sorry, but it's all a bit inconvenient losing some money." I am not going to do that and it would be wrong. Believe it or not, we do have some standards, and one of our standards is that we stand by our promises.

Q230 **Mr Umunna:** Look, the truth is that there is a commercial consideration. If you were to walk away from these contracts, you would also be—how could I put it politely?—not best pleasing your biggest customer. You are making lots of money out of the taxpayer, and as you said you are one of them, in lots of other, different areas. I get the point that you feel a moral obligation, but there is also a commercial imperative for you not to just walk away from these contracts, isn't there?

Rupert Soames: I think that would be true anywhere in the world, if we were to walk away from a Government contract. It is our business serving Governments. Particularly with us. I think it is different if you are processing payroll or looking after pensions. Our business is providing front-line services.

Q231 **Mr Umunna:** I get it. Can I ask you about those front-line services? Mr Shipman, don't worry—we're not ignoring you. I am going to come to you very shortly. Mr Soames, you have obviously got these two contracts, one in the North-West, which you directly provide, and one in Scotland and Northern Ireland. From the point of view of the taxpayer, what benefit do we get in contracting through you, with Orchard & Shipman, and not just having them as the direct provider? What is the benefit of having you sitting between the taxpayer and Orchard & Shipman?

Rupert Soames: You might say, what is the benefit to the taxpayer of our sitting between them and a landlord, of whom we have nearly 1,000. The fact is that we are responsible for delivery in Scotland, as we are responsible for delivery in the north-west. There is no difference. We choose, in Scotland, to use an SME, which we met as part of the bidding processes, which had experience in Glasgow and had large numbers of properties available, and to work with them. I don't see any difference with the north-west. As far as I am concerned it is invisible. It is also the case, as I think Mr Shipman will tell you, that we give significant amounts of support to Orchard & Shipman. No small, private company could take the losses that are incurred on this problem.

Q232 **Mr Umunna:** Did you not provide the provision yourself just because you do not have the capacity up there to do so?

Rupert Soames: I was not there when the contract was set up, but there was a decision taken to work through Orchard & Shipman and we continue to do so, as a responsible prime contractor. In terms of the numbers of people who are involved in the administration, I think Orchard & Shipman has about 60 people in Glasgow doing the administration. Per capita, we have a similar amount, called Serco.

Q233 **Mr Umunna:** So we are basically just paying for a management function.



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Rupert Soames: No, that is absolutely not the case. You are paying for quite a lot more than that. You are paying for the assurance inspections. You are paying for processes we put on top. You are paying for the fact that, for instance, it is not possible, as I said, for Orchard & Shipman to bear the losses that would be taken by KPI costs, so we take those rather than them. I think it is unfair to say that our Glasgow team merely sit there as a post box between the Home Office and Orchard & Shipman. I do not think that is right.

Q234 **Mr Umunna:** Okay. Mr Shipman, are you proud of your company?

Chris Shipman: Yes. I am very proud of it.

Q235 **Mr Umunna:** Why do you do what you do? What is your main motivation? Are you in it for the money or is there a grander purpose too?

Chris Shipman: I started this company about 28 years ago, so that is how long we have been in property and tenancy management. Some 15 or 16 years ago, we were invited by our local authority, Hillingdon council as it happens—you heard from them earlier—to contract or to bid for the management of a social housing contract, looking after homeless people. We did that and over the years we developed an expertise in that area. It is an element of work that we enjoy. There is no doubt that you enjoy your work. We find it fulfilling. I find it to be a type of work that I get fulfilment from. That is the gist of it.

Q236 **Mr Umunna:** You obviously have not given evidence to the Committee this year. This is the first time you are giving evidence to us.

Chris Shipman: I have not given evidence of any sort to this kind of thing. We are a small company and we just manage properties and tenancies—

Q237 **Mr Umunna:** One of the things that we are bound to put to you is some of the allegations that have been made against your company. I am referring specifically to some of the stuff that has been reported in *The Times*, where your staff have been accused of spraying air freshener at asylum seekers while laughing and pinching their noses. One asylum seeker was housed in a property with blood-splattered walls and no locks on the front door. A sex-trafficking victim was housed in a tower block alongside groups of young men. Asylum seekers were reported as routinely being shouted at and a former staff member stated that, as soon as they walk through the door, they get bawled at. As Ms Ghani said, everything has a threat behind it. Can you guarantee that, in respect of all those allegations that I have just cited, none of those things took place?

Chris Shipman: I am pleased to be able to address some of these.

Mr Umunna: I thought you might be.

Chris Shipman: I found it really upsetting, at one level, that these accusations were being levelled at Orchard & Shipman and the staff in Glasgow. The first thing I would say is that with 4,700 people that we are

currently looking after, 23,000 repairs a year and 22,000 inspections a year, things will go wrong in a property maintenance contract. There is no company that can guarantee nothing will go wrong.

Turning to the specifics of your allegations, the only thing that I can do or any company can do—

Q238 Mr Umunna: By the way, just for the record, they are not my allegations. They are the allegations of an employee and former employee of your business.

Chris Shipman: Well, yes, except these allegations have been repeated a number of times within this Committee, and the very fact that you repeat them gives some credence to them, even though I believe evidence has been provided already to discount a number of them. For example, blood-splattered walls was fruit juice on the wall. We can put that one to rest straight away and I would hope that that would not get repeated again. We have specific evidence in that particular regard. But it will get repeated again. It will probably get repeated next time there is a press report.

Mr Umunna: This is your opportunity to put it right. That is why we are asking.

Chris Shipman: Yes, and that is why I am taking this opportunity. There was also an example of somebody falling through floorboards. Well, they didn't. It was a sprung board and they were running across the flat. They sprained their wrist and their ankle, I believe. The property was repaired and they did not want to move. They were happy with their accommodation and they did not want to move.

When you look at these allegations, they split into two particular areas: one is the property maintenance elements and the other—I was interested to listen to your witnesses earlier on—is the element around care and attitude towards people. For example, the other allegations were about people holding their nose, air freshener and so, but we have no dates, no specifics, and there is absolutely nothing we can do or any evidence we can provide that would substantiate or corroborate that in any way. If I may, the former employee—we were talking about property standards—was recruited to take properties on. He left the company and then returned, again to take properties on in a self-employed capacity, and then he left the company and came back again, once again to take properties on. That is the person who said something to the effect, I believe, of “there was an atmosphere of coercion, where I had to do this”. Those are not the actions of someone who is living in that environment.

Q239 Mr Umunna: Just for the sake of completeness, because I think this has also been mentioned and you might wish to pass comment on it as well, there was the comment from Shafiq Mohammed, one of your former employees who works with asylum seeker—

Chris Shipman: That is the gentleman I was referring to.

Q240 Mr Umunna: Oh, that was the gentleman you were referring to. So you



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would say that the allegations that have arisen are mainly down to disgruntled former employees.

Chris Shipman: No, I would say that some of the allegations are down to a former employee. It is a singular. I am not aware that we have a whole load of people lining up to make these allegations.

Q241 **Mr Umunna:** So there is not a structural or an institutional problem with the way in which your employees treat asylum seekers.

Chris Shipman: I don't believe so. I have no evidence of that whatsoever.

Q242 **James Berry:** I have just one question on that, Mr Shipman. Plainly, when you employ a large number of people across a disparate area you cannot guarantee that these kinds of incident will not happen, but what you can guarantee is that as an organisation, through your leadership, you set out certain standards and you show those standards through your hiring practice and also through having robust disciplinary and investigative procedures. Can you guarantee to the Committee that you have those procedures and that ethos in place at your company?

Chris Shipman: I can guarantee that, and it is my belief that that ethos is there. There is evidence. I have no doubt that occasionally it is possible that we will have someone who acts in an appropriate way or requires further training. Those things will happen by natural consequence, I think, with any business. The guarantee I can give is that if there is any kind of wrongdoing, we will investigate accordingly and take the appropriate action.

Q243 **James Berry:** So if the extent of the allegations that Mr Umunna related to you were true, there would be no place for those individuals in your organisation.

Chris Shipman: Absolutely not.

Q244 **Mr Winnick:** Reference has been made by my colleague to *The Times* report in February 2016. Mr Shipman, you were first made aware, I understand, of concerns about the quality of your accommodation in 2013 but, despite that, poor quality provision persisted. So it is not some new matter, something some disgruntled employee, for reasons you have stated, is concerned about. It goes back some time, doesn't it?

Chris Shipman: I think, again, that we might be talking about two separate issues, or two types of issue: one is to do with property management and tenancy management standards, and I think another is to do with the attitudes of staff. In terms of property conditions, our properties are very highly inspected and I am not aware of any endemic or frequent problem with the condition of the properties.

Q245 **Mr Winnick:** But you do not challenge that the company was made aware of concerns about the accommodation in 2013.

Chris Shipman: Can you be specific, please, about the particular complaint or allegation?



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Q246 **Mr Winnick:** You should know. You run your company. Were you made aware of concerns about the accommodation three years ago?

Chris Shipman: I have seen a number of reports in newspapers about the condition of the properties that we have under our management. That does not mean that those reports are true, and I think I addressed some of those reports a moment ago.

Mr Winnick: Then there are further allegations, which have been mentioned just a few moments ago by my colleague, that were reported in *The Times*. It doesn't seem quite a picture, if I may say so—perhaps, Mr Shipman and Mr Soames, you would disagree—of providing adequate accommodation. No one is expecting anything like luxury accommodation, and the people concerned would not expect it, but it is obviously unacceptable. The provision of some sort of acceptable accommodation—basic accommodation, and decent enough where children as well are involved—does not seem to have been the consistent position since your company has been involved, Mr Shipman.

Chris Shipman: You say it is obviously unacceptable; I don't accept for one moment that it is obviously unacceptable. The properties that we have under our management, which is currently 1,970, are inspected by the Home Office. We have monthly inspections on them ourselves and they are further inspected by Serco. I can deal with specifics but what seems to be happening here are rather vague assertions about the overall quality of the properties or the service.

Q247 **Chair:** Can I perhaps help? There was a specific report by the Scottish Refugee Council—we heard testimony from them earlier—and Serco was alerted to concerns about the service provided by Orchard & Shipman in a 2014 report. They specifically found that, "People had been placed in housing unsuitable to their need and histories of persecution. There were problems with the physical condition of their properties and their amenities, such as a ceiling leaking for months without repair", and that "These problems were causing problems for asylum seekers' mental and physical health and their ability to maintain social connections." Then there is this old chestnut that we hear constantly: "...asylum seekers were reluctant to complain, for fear that it might affect their asylum claim" in the first place. So, there have been specific allegations, not just reported in the press, but in reports by organisations such as the Scottish Refugee Council.

Chris Shipman: Yes. You have touched on two points. In terms of specifics around properties, each of those specifics that have been raised we have looked at and we have addressed. Where there has been a need for changes to processes—I am not aware of that in any kind of endemic way—we will make those changes. I would have to look at the specific cases that you are referring to—

Q248 **Mr Winnick:** But surely you should have looked at that before you came here and been fully aware. I get the impression—I don't know about other colleagues, Mr Shipman—that you are being rather complacent and are almost in a state of denial about what has been happening. That's to



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you, Mr Shipman; you would deny that, would you?

Chris Shipman: Yes, I would, Mr Winnick. I don't feel complacent at all. We have a very complex and very important contract to deliver and we deliver that in very difficult circumstances. I don't feel in any way complacent about it. There is a certain degree of my being able to want to get my brain around specific instances here, but if you give me one, I can look at the details and properly answer that; otherwise, all I can say is that on each of the instances that have been reported to us, we have looked into those and they meet the requirements, or we have looked at what is required in those contracts in those properties.

Q249 **Mr Winnick:** Mr Soames, is there any particular reason why you subcontract to Orchard & Shipman?

Rupert Soames: It was a decision taken at the start of the contract. I must support Chris on this. I think that the Scottish Refugee Council report was their 2013 annual report.

Chair: '14, we have.

Rupert Soames: Yes, but it refers to 2013. It was published in 2014; it is three and a half years old, which does not make it wrong. It is absolutely the case that there is an argument about property standards. You, Mr Winnick, can say it is not luxurious but it has got to be decent. How do you capture decent? The Home Office has attempted to capture decent. If it is of interest to the Committee, I actually have here examples of the monthly inspection form that every single one of our 4,800 properties gets checked to every month. Would you allow me to pass it around?¹

Chair: Yes, we can take that as evidence.

Rupert Soames: It might show you the extent of the inspections that go on. I am afraid, Mr Winnick, I cannot take comments such as, "You're supplying slums," or "You're supplying a property that is not usable." You must tell me, or get the Government to tell us, the standards that you want.

The standards that we have specify that there should be a towel rail in every bathroom. Do you think that "decent" means two towel rails? It specifies that each window must have a lock. Do you want window locks or no windows locks? It is an incredibly detailed accommodation standard, to which properties get inspected once a month at least. In the case of Orchard & Shipman, in addition to that, 15% of the properties get re-inspected by us to check that they are doing the job. In addition to that, the Home Office does inspections across a third of the properties every year—33%.

¹ [http://www.parliament.uk/documents/commons-committees/home-affairs/Serco%20Monthly%20Inspection%20Form%20\(as%20produced%20in%20oral%20evidence%20-%202013%20Sept%202016\).pdf](http://www.parliament.uk/documents/commons-committees/home-affairs/Serco%20Monthly%20Inspection%20Form%20(as%20produced%20in%20oral%20evidence%20-%202013%20Sept%202016).pdf)



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As for saying that there needs to be independent inspection, we are doing 62,000 property inspections to that standard—62,000 across 4,800 properties every year. Just to give you an idea of the scale of the operation, we are providing—

Q250 **Chair:** Do you have to do that as part of your contract, or is that an addition?

Rupert Soames: No, we have an obligation to inspect. The Home Office did a bang-up job of specifying what was to be done. I think there were 1,200 examples of “The contractor will”. It is a very heftily—

Q251 **Mr Winnick:** If I may interrupt, it is true, as I understand it, that you joined your company as chief executive on 1 May 2014, so it could be argued that you were not responsible in the first place for the contract. You tell us what is being done over inspection and the rest of it; the fact is that it is part of the contract, and therefore one would expect no less. Can I ask how far you yourself have visited some of the properties?

Rupert Soames: You can, and I have to say that the COMPASS contract is close to my heart. Only last April, I was in Glasgow going round the properties, and I visited Orchard & Shipman. Not only that, but I met with the Scottish Refugee Council—I met with John Wilkes the other day, its head, who came down. I went to visit the properties; I went to talk with asylum seekers; I have been to the initial accommodation in Liverpool and I have gone round and visited properties there. I think I am familiar with—

Q252 **Mr Winnick:** Have you visited some of the properties that have been the subject of criticism?

Rupert Soames: No, not that I know of. I went to see properties, but as to whether they are properties that have ever been subject to criticism, Mr Winnick, with respect—

Q253 **Mr Winnick:** Can I just make a point? In your busy life as chief executive of this major company with so many Government contracts and the rest of it, do you think it would be useful and helpful all round if, where there have been the sort of complaints that have been referred to during this session, you just had a look round and satisfied yourself that the necessary work was being done to remedy the situation?

Rupert Soames: I have satisfied myself, from the properties I have seen and the asylum seekers I have spoken to, that we are delivering what the Government has asked us to deliver. Not every time; we are providing 5.5 million people nights of accommodation. That’s an average of 15,000 people, across 51 different languages, with people who are very vulnerable, and often frightened. Their major concern is that they do not understand the system that they are in and what is going to their asylum proceedings. They worry about their children. We do that, I think, to a very high standard.

On the rate of complaints, allow me to say two things. I am going to tell you the rate of complaints, and then I am going to tell you that I don’t believe it. The number of complaints that we had over the last year, in



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2015, is 308. That was, on average, one complaint per 15,000 people nights. The reason why I don't believe it is that if you took 15,000 UK people born here, put them in a property, and moved half of them a year, you would get a good deal more than 308 complaints. I think there is an issue around how we tease out people's concerns and complaints.

The other thing is that there is a real cultural issue about this. People are worried about complaining. They come from cultures where you do not have people providing free accommodation or taking your children to school, and if you do, there is always a catch. One of the things that I would like to see in a future contract is a working out of a better way of capturing a lot of this. The NGOs capture a lot. We are very dependent on them. For instance, we have a good relationship with the Scottish Refugee Council; when they come across an issue, they bring it to us, and we try to sort it out with them. They bring about four a month.

Q254 Mr Winnick: Of course, if traditions were different where the asylum seekers came from, they would not be asylum seekers here in the first place. You talk about the total number of complaints made. Would you accept that in some instances, people do not complain, either because it is difficult, with the language and the rest, or because they are afraid to do so? Would I not be correct in saying, Mr Soames, that one should be very much on one's guard against any complacency? The number of complaints is along the lines that you have indicated; if that is the sum total—

Rupert Soames: Which is why I said to you from the get-go that I did not really believe that 308 was the sum total of people who felt upset about the service they had received. I completely accept that, and I think that there is something that we need to do there. If I can just ask you to suspend disbelief for a moment, our housing officers, who look after this, have more experience, and spend more time with these vulnerable people than anyone else. They see them monthly; they know their children; they take them to school; they help them to go to hospital; they are fixing up stuff for them the whole time. These are not people who do it because they want to shout at people; they do it because they care. A lot of our employees are former public servants.

As I said, my message to you—it may land hard in the Committee—is that although it is really bad news for us financially, we are standing by the contract. Between us and the Home Office, I think we have dealt very well with the huge logistical issue of having to deal with twice the number of asylum seekers in essentially the same distribution area as it was thought there would be at the beginning of the contract.

Chair: One last question, Mr Winnick.

Q255 Mr Winnick: One last question. Could you supply the Committee with details of the contract that you have with Orchard & Shipman?

Rupert Soames: It is a flow-through of the Home Office contract. It is essentially the same as the Home Office contract, and I would not propose giving you a copy of it. The other thing, as I have already said, is that it



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does not matter whether Orchard & Shipman are delivering in Glasgow, in terms of the contract; Serco is responsible for it. I take full responsibility for everything that goes on in Glasgow. If there is a problem with Orchard & Shipman, and if there are things going wrong, that is for me to sort out and take responsibility for.

Q256 **Mr Winnick:** I did not ask about that; I asked about the contract that you have in subcontracting with the other company.

Rupert Soames: It mirrors very largely the terms of the Home Office contract, except that on certain things, for instance—

Q257 **Mr Winnick:** Can we have a copy of the contract?

Rupert Soames: No, Sir. I do not think that would be appropriate.

Q258 **Mr Jayawardena:** Thank you, Mr Soames, for attending the Committee as group chief executive of Serco, and for the commitment that you have just made—for saying that it is your responsibility. Thank you, Mr Shipman, for attending as chairman of your own company, having built it up. I will come to a question for you, Mr Shipman, in a moment, but first, Mr Soames, I wonder whether you can help me better understand some of the Home Office's arrangements with you. As I understand it, the Home Office's old target contracts cost about £150 million in 2011-12. The aim was to save an average of about £20 million with the new COMPASS contracts. You have told us that Serco is running a £20 million-a-year loss on your contracts. Not only does it look like Serco is in effect funding the Home Office's savings, but the Home Office is not actually making them, because in 2012-13 it saved only £8 million, which is only 40% of the target it set out, which you are already making a loss on. Are you able to shed any light on that?

Rupert Soames: Yes, I suspect it is to do with the number of people. If you look at the cost per person, I suspect it is very much lower. I repeat that there are 200% more people. In the North-West and Scotland alone, we are having to provide for 8,000 more people, which the Home Office is paying for, albeit at a rate that doesn't cover our cost. I suspect that is the reason.

Q259 **Mr Jayawardena:** Is it concerning to you, given the direction that these contracts may go in, that the Home Office saved that £8 million, but it was made up of £6 million of poor accommodation credits from you—Serco—and G4S, and that as the accommodation improves, as you outlined, that £6 million will disappear, and was only £200,000 last year? The Home Office savings are getting lower and lower, and that will be passed on to you in the future.

Rupert Soames: It is true that the Home Office savings from charging us KPI contract penalties have reduced sharply as we have got better at not incurring KPI penalties, but I think that it thought that was the objective. I don't think the Home Office necessarily thought this was a sustainable stream of income. So I agree with you. I don't know what the Home Office economics are, but clearly the cost of the whole asylum seeker thing has increased massively in line with the numbers.



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Q260 Mr Jayawardena: The Public Accounts Committee recommended that the Home Office should revise its savings forecast, recognising some of these changes. Perhaps I could move away from the financial for a second. What benefits do you see in the six COMPASS contracts over the 22 predecessor target contracts, besides less paperwork of course?

Rupert Soames: I was not around then. I can tell you some of the things we had to do unexpectedly. One reason why we lost money is that we had to spend a fortune upgrading the properties that were already on our books to a standard compatible with Home Office contract. I suspect we got a much tougher inspection regime.

Coming to the point, I know there is an argument for local authorities to deal with this, and that some people would like to have it all dealt with by them, but as far as the Home Office is concerned, the administration cost is much lower for them, and it is easier for them to deal with three groups covering the contract. Sadly, the sort of arrangements we have had to make as accommodation has got tight and when we get surges would be impossible if we were dealing with 40 or 50 local authorities rather than just us, G4S and Clearsprings in the South. We co-operate with one another to move people around. You will have to ask them whether they think it is a better contract, but I suspect they do.

Q261 Mr Jayawardena: Turning to local authorities, as you have referenced that, from your perspective and given that there is finite money available from the state to provide support, you have to run a business—that is understood—and to attempt to make the contract work on a financial footing. I am comparing some of the data that show the number of asylum seekers in each local authority area. I will happily cite figures for my constituency, as compared to others. Basingstoke and Deane, one of the districts I represent, has no asylum seekers, whereas in Birmingham there are 1,658. That reflects, of course, the cost of property in Birmingham, which is lower than in Hampshire.

Rupert Soames: Not only that.

Q262 Mr Jayawardena: Please tell us more.

Rupert Soames: My understanding is that at the beginning of the contract, basically there were dispersal areas, and these areas had been set and agreed with the local authorities. Although I believe the Government have the statutory power to force local authorities to take people, they have not in practice used that power. They have sought to use persuasion. It is only very recently, in the past 12 months, that the footprint has been widening in terms of local authorities, certainly in terms of the North-West. That has not happened at all in Scotland. The Home Office are trying to get extra dispersal. I am sure you could be helpful to them, in getting more local authorities to agree to take people, because it is a real problem that although you have Syrians on the Isle of Bute, the asylum seekers within the COMPASS contract are all within Glasgow. That is pretty unsatisfactory.

Q263 Mr Jayawardena: But you would agree that it would be perverse for you,



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or indeed the Home Office directly, to place people in very high cost areas; that would not only make your numbers not add up—or make them add up worse than they already do—but not be a good use of taxpayers' money in the long run.

Rupert Soames: There are clearly social cohesion issues, which we take very seriously. The idea that we put people into houses without the local authorities agreeing to that is completely untrue. There is also, as you rightly say, a cost issue. We could go and put asylum seekers in central London—well, we couldn't; it's not our area, but in principle, we could go and put them in the leafy suburbs of Manchester. It would be completely uneconomic to do so. The Government has to decide exactly what standard of accommodation it wants to provide to asylum seekers. I know, for instance, that in other places there is real concern that asylum seekers should have a standard of accommodation that is decent but not beyond the level that is enjoyed by most of the people in social housing.

Q264 **Mr Jayawardena:** Is the provision of support for asylum seekers just a question of public support in terms of the finance, or are there other ways that you believe, with your insight from running this business, provision could be improved without incurring significant additional costs?

Rupert Soames: Clearly, widening dispersal will be really helpful, because it will take the pressure off pricing. We are housing 8,000 more people in the same area, essentially.

Q265 **Mr Jayawardena:** On that point, you would not recommend having a blanket proportion for everyone, noting the point you have just made about high cost areas?

Rupert Soames: Beyond my pay grade.

Q266 **Mr Jayawardena:** Surely you would not want to lose more money.

Rupert Soames: Sorry, I should not have said that. That is provoking a question that—I might not want to go there. It is beyond my job specification. I do think there is an issue of fairness here. There is an issue of fairness between councils. Some councils are bearing the heat and the burden of the day, and are looking after very large numbers of asylum seekers; their public services are under huge amounts of pressure, and they do a terrific job.

Q267 **Mr Jayawardena:** But is it fair to ask the taxpayer—or indeed Serco's shareholders—to pay more when there is good housing available elsewhere for less?

Rupert Soames: But there is good housing at similar prices in next-door boroughs where we can do it, so it is not a comparison between Rochdale and Eaton Square. We are not talking about that. We are talking about Rochdale and Preston. There is housing, but there is a limitation on the number of councils, which is complicated. The Home Office have, in my view wisely, been working very hard to do this by consent and by working with regional partners—we have a regional partnership—but it is very slow. It is slow progress.

Q268 Mr Jayawardena: One final question for Mr Soames and then one question for Mr Shipman. Can I just be clear: would you want your contract to be extended to 2019?

Rupert Soames: To 2019? There are many things in life one might want that one is not going to get. It is not in our gift.

Q269 Mr Jayawardena: But would you want it to be extended to 2019?

Chair: It's quite a simple yes or no, Mr Soames.

Rupert Soames: Then I'll say yes, and I say yes for this reason: I do not think it is possible, in the time remaining between now and the deadline for extension, for us as a country and as a Government to recast this in a way that will make it better. It deserves to have that done for it. There might be a middle path that would say, "Well, why don't you extend for a year? We're going to start work on reshaping it," but in practical terms, as you have heard in other evidence, this is a two-pipe problem.

Chair: And your final, final question, Mr Jayawardena.

Q270 Mr Jayawardena: Mr Shipman, O&S reportedly made a profit of £198,450 in the 18 months to September 2015. You attributed that turnaround to your contract with Serco. If Serco's contract with the Home Office is extended—we have just heard that Serco would like it to be—do you anticipate making an overall profit from your provision of asylum accommodation in Scotland?

Chris Shipman: First of all, it was a lucky blip, because a lot has happened since then, mainly the increase in the number of asylum seekers. For the contract to date, we have received somewhere in the region of £64 million, most of which—34% or so—has been paid out in landlord rents, and there is a whole load more paid out in utility costs, council tax and so on. Overall, that contract is running at a loss of £2 million over that period. Most of that loss has been incurred in the current financial year—there are 10 months in our financial budget up to July 2017—and that is running at £1.4 million.

It is almost entirely down to our ability to procure properties in a very limited area. I think I heard some comments from earlier witnesses about the use of hotel accommodation. That has been quite dynamic—it has gone up and down—but in the past 10 months it has certainly been at a level that has been too high. To give you an idea, in this period, if the run rate continues at the current rate, it will have cost around £2.25 million in hotel costs. That is in a contract for which the overall run rate would be around £21 million. That is just too much money.

It is not ideal—we accept that. It is particularly difficult, because we know there are areas surrounding Glasgow where accommodation that would meet Home Office standards is available. We would hope to be able to get help from some Committee members, and from wider organisations, and we would hope that this dispersal problem—that's what I think it is in Glasgow—is addressed.



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Q271 **Chair:** If Mr Soames gets his wish and his contract is extended until at least 2019, and he then comes to O&S and says, "Mr Shipman, will you continue your subcontract on the same basis as now?", will you be saying yes or no to him—or something stronger?

Chris Shipman: As Rupert was explaining to Mr Winnick earlier, there is a flow-through of the contract terms, almost identical to the main Home Office contract. The reluctance to just pass that contract out is that there are elements that would be commercially sensitive. There is a flow-through, and if Serco said to us, "Your contract has been extended," we wouldn't have any option.

Q272 **Chair:** So you're obliged to.

Chris Shipman: We would be obliged to.

Another point with that, which comes back to why we do this job, is that—there are no two ways about it—this is the most politicised and difficult environment I have had to work in in 28 years. It has been a difficult ride, as it were. One of the things I do take pride in is that, yes, it is not always perfect, but things are developing, getting in place and improving. In my view, swapping and changing how you deliver a service in terms of who is delivering it and the substance of it—the main fundamentals—is not positive. It is not a good thing, because then you have a new contractor or a new body that is having to start from scratch.

Q273 **Stuart C. McDonald:** I would be delighted to help you both advocate a broadening of dispersal if you can help this Committee to recast the COMPASS contract. Mr Soames, you have said that there are serious issues with the COMPASS contract. In short, what would you say the fundamental problems with it are?

Rupert Soames: I think the problems with the COMPASS contract are the dispersal areas. That is the core issue of the contract as it currently is cast. Clearly, there is a major problem with the economics, but we have gone into that previously. There may be an issue of how we connect with NGOs and the like. You asked if there is a problem with the contract. The underlying, most important driver of the strains in the system is the fact that the number of people has increased by 200%.

Stuart C. McDonald: This contract was not designed with that number of people in mind at all.

Rupert Soames: The Home Office would say that they cleverly designed it so that it could have covered a million people. There was no cap on the number of people. The fact is that the contract, when it was let, said that we should assume that the number of people for the life of the contract would be around 22,000 for the country, and it is now high on 36,000. As I say, for us it has doubled in terms of the number of people. That is partly the number of people coming in and people taking longer to process through. The biggest strain and stress in the contract is around the additional numbers and the dispersal areas not having grown to take account of that.



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Q274 Stuart C. McDonald: Turning briefly to the issue of accommodation standards, I do not think anyone would suggest that all accommodation in Glasgow or anywhere else is bad—far from it. I think everyone would recognise that lots of decent, good-quality accommodation is provided. But we are talking about not only a couple of reports from the Scottish Refugee Council, but a couple of reports from Freedom from Torture, reports by the National Audit Office and the Public Accounts Committee, and a research paper from Dr Darling at Manchester University. This morning, I was reading a report by the Northern Ireland Community of Refugees and Asylum Seekers that was remarkably similar. There is a parallel with our earlier hearings with other providers. Their line was, “We meet all the contractual requirements,” and yet you have this huge body of opinion that things are not up to scratch. Why is there that huge disconnect? You are not accusing all these people of being part of a conspiracy.

Rupert Soames: I think quite a lot of it feeds on each other. People repeat stories, like blood-spattered walls, and that appears in one place and then in five other places. We then go and find it was not blood but orange juice—that is one thing. Let me give you an example on the second thing. With 5,000 properties, every day there are hundreds of pipes bursting. One of the examples given of “appalling” and “horrendous” accommodation was a lady and her family who were in a house where the pipes blocked up, and she had water that she said was sewage—it wasn’t; it was water—coming back up through the pipes. There were photographs of it and this was “horrific” accommodation. I’m terribly sorry, but we fixed it within 24 hours, and it then came back and a week later flooded again. Why? Because the public sewage system was blocked outside the house and the whole block was flooded. We cannot run a service without pipes blocking, taps leaking and windows breaking. We really need to get to the bottom of this. How many instances do we get of reports in the newspapers of people living in—

Q275 Stuart C. McDonald: With respect, we are not talking about newspapers. I expressly did not mention newspapers, although a lot of good investigation has been done. We are talking about Dr Darling at Manchester University, Freedom from Torture, the SRC and other respected organisations. You are not accusing them of riding on a wave of anecdotes, and you are not accusing them of conspiracy, surely, Mr Shipman. Is there nothing in any of these reports? Have you read these reports?

Chris Shipman: Sorry, I don’t think I accused anybody of conspiracy, so the answer is no, I am not. What is within my ability is that when a report is raised or a specific example is brought to our attention, we go along and investigate that. That is what we endeavour to do.

I heard one very useful thing from one of your earlier witnesses, which was the suggestion of an independent regime to go around and inspect properties. I would very much welcome that. From my perspective, it then takes it out of this arena. The properties are either good and up to standard and we are delivering the service, or we are not. If we are not,



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we need to look at what those problems are and address them. I don't disagree with that whatsoever. I think some kind of independence there would be very useful.

If this Committee is charged with reviewing these contracts, the other thing is for the members of the Committee to come and spend a few days with us and go out with the housing officers and look at the properties. You will learn more and you will see what is working with the system and what is not working. It is not a perfect system and it never will be, but that will give you a lot more evidence than other stuff.

Q276 Stuart C. McDonald: Okay. In terms of expectations, then, neither of your companies had ever been involved in providing asylum accommodation previously. Mr Shipman, we understand from earlier evidence that your company had a good track record in the provision of accommodation for homeless people in one particular council area, but would you not expect there to be particular challenges about provision of accommodation for asylum seekers? What would you say are some of the key challenges?

Chris Shipman: From what we heard earlier, a large percentage of the asylum seeker population, compared with some other areas that we deal with, have higher support needs, if I can put it that way, so that does make us more dependent. It isn't part of our contract to be able to give any kind of counselling or assistance in that way to the asylum seekers—that is not our skill—but there is certainly an element there in terms of how we join up with third sector providers.

Q277 Stuart C. McDonald: Which takes us on to what Mr Soames earlier sort of tacitly recognised: where improvements could be made in engaging with wraparound services and NGOs. For example, I understand that freedom of information requests show that the number of asylum seekers making it to their initial health screening has fallen very significantly in recent years. Is that an issue that you are going to be able to address, because obviously access to health screenings is vital?

Chris Shipman: You indicated earlier that there is some very good investigative journalism that goes on. There was a reporter from *The Times* who picked up on that very story. The story wasn't printed because we invited the journalist into our office, because the information had a sensitive element to it, and we demonstrated to the journalist what we had provided. Our obligation is to provide the accommodation from the service user's place of residence to the screening centre. The evidence shows that we provided that on every occasion, except three occasions that we could not identify. The problem we have with that is that we have an obligation to provide the transport, but we can't compel people to actually attend. A number of those people, for whatever reason, either don't turn up on time or choose not to attend their appointments.

Stuart C. McDonald: One problem might be—

Chair: Last question.



Q278 Stuart C. McDonald: Well, if I've only one more question, I will make it a different one, on welcome packs. We are now four years into this contract. Is it the case that up until now welcome packs have only been provided in English?

Chris Shipman: Yes. The welcome pack is provided in English. There is a translation service that is available for the asylum seekers as well. The welcome pack is something that we have to get approved. I believe that that work is sort of ongoing—I don't know if you are able to add to that—but as far as I understand it, that is awaiting approval from the Home Office. Until we have that, we don't have a welcome pack that we can actually assign.

Rupert Soames: It sounds like a no-brainer: you should have a welcome pack in the language of the person who is going to use it. The trouble is there are 51 languages. What we do is to use a service called thebigword. When the housing officer introduces somebody to a new property, they will dial up the service called thebigword, where you've got one to 51 languages, and it's somebody at the other end of the telephone. They talk them through the welcome pack in whatever language the person wants to speak. It is not ideal and we are working with the Foreign Office to come up with a multilingual way of doing it.

Chris Shipman: There was a question about what improvements could be made to the contract. There are two others that I would like to add to that. One is the KPI regime, which again was touched on by your earlier witnesses. The KPI regime is, quite frankly, draconian. We can be fined £70,000 for being a few hours late, quite literally, replacing a smoke detector battery where there is a 24-hour limit. Not only that, we may just be late recording it on the system. In Glasgow, to put that into perspective, as I am sure you are well aware, the starting price for a property is about £30,000 to £40,000. So for that KPI regime we could have gone out and bought two properties. That kind of regime was put in place with the best of intentions, but when we are looking at what we take from this—I mean this in a constructive way, because it is very easy to blame people and say, "They shouldn't have done that, they shouldn't have done the other"—and looking at it in a constructive way, this is about how we can make this a better contract and system going forward. My suggestion is that that kind of KPI regime and that level of payment is damaging to the public purse and damaging to the service users. It encourages the situation, for example, where we cannot rely on landlords completing repairs in that time when those landlords have an obligation to do it, so we undertake those repairs, at our expense. If that continues into the next contract, you could say, "We do that; that's our cost," but the next time this contract comes around, it is a cost to the public purse, because anybody looking at that is going to say, "If we have to do that, it is going to be very expensive."

The final thing is the end of process. That is not part of our contract. We are only contracted to provide accommodation until such time as a decision is made, but if you think about the human implication, you are asking a housing officer to go round—I know there is bad press about this



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as well—and remove somebody from their property. They may not be the amputee that Rupert mentioned before—people with particular needs—but there needs to be a more joined-up approach and more constructive funding to deal with that end of process.

Q279 **Chair:** I want to end on precisely that point, because the process at the moment, I gather, is that when an asylum seeker's application is granted, if it is, they have four weeks to find alternative accommodation before their support is terminated.

Chris Shipman: Twenty-one or 28 days, yes. There are two different types.

Q280 **Chair:** Is four weeks long enough? Would it be long enough if there were better, joined-up systems?

Chris Shipman: It would be better if there were appropriate funding or appropriate mechanisms at the end of the process to properly deal with the people in that property. We refer to them as asylum seekers and service users, but they are families and individuals just the same as anybody else and it is not reasonable, in my view, to say to people, "Right, off you go. Go down the road and speak to the Scottish Refugee Council or Migrant Help and you might get some help there." There needs to be something more definitive in place.

Q281 **Chair:** And presumably the whole process, and your losses, Mr Soames, would be somewhat reduced if the Home Office were able to speed up the time it took to process some of these asylum applications as well?

Rupert Soames: Yes, but they, too, face the same problem that we face—that there are many more people to process. We have seen that the average time that we are looking after people has increased. It is difficult for them and it is leading to longer periods of time. I can hardly get my head around the idea that we are still looking after people who have been in properties for five or four years and are doing nothing. One thing I want to look at is engaging these people more in community life. I don't know what proportion it is, but maybe 50% of them are going to end up being granted asylum, so why don't we try to engage them a bit more in charity work or some form of activity, rather than them sitting in their homes all day on a fiver a day?

Chair: That is a whole bigger subject for another inquiry.

We will end it there. I thank you, gentlemen, for your evidence. I think this is the first time we have had the head of an organisation with his company logo emblazoned on his shirt. It is probably infringing all the advertising rules in Parliament to do that. If there are further things, subsequent to what we have discussed, that you—or whoever the lucky person is who is above your pay grade at Serco, Mr Soames—would like to add to the evidence, please feel free to write to us and we will include it in the report. Thank you for your attendance this afternoon.