



Getting a grip: How the Home Office should improve refugee and asylum seeker welfare and protect UK aid

Successive aid cuts, increased domestic use of the aid budget, and irresponsible financial management by the Home Office have significantly weakened the UK's stake as a major player on the world stage. In order to restore the UK's international position, the Minister for Development will need to be equipped with a fully functioning arsenal, and thus the Government must take urgent action to reign in Home Office use of critical aid funding. It is vital that we properly welcome and support refugees and asylum seekers coming to the UK, but current Home Office policies are creating a lose-lose situation which is bad for refugees, bad for people in low- and middle-income countries, and bad for the long-term security and prosperity of the UK. Diverting funding from the aid budget to meet Home Office costs only serves to compound the problems currently faced with regard to migration inflows, as overseas interventions help to address some of the root causes of forced displacement such as conflict, climate change and food insecurity.

To address this problem, **in-donor refugee costs (IDRCs) should be made additional to the UK budget earmarked for development spending, whether this is set at 0.5% or 0.7% of GNI.** The Home Office should manage an entirely separate budget, providing the right incentives for them to better use their own resources to support refugees and asylum seekers. Measures to improve efficiency must be taken immediately, including clearing the asylum backlog, moving individuals out of expensive hotels, investigating an expansion of the Homes for Ukraine sponsorship model to other nationalities and conducting an urgent review of the methodology used for calculating refugee costs.

New analysis by the ONE Campaign shows that the Government could save at least £1bn a year by implementing these recommendations, enough to restore the UK's failing climate finance commitments; or to both restore funding to regions of East Africa that are suffering from food insecurity and reverse the cut in funding to the Global Fund to Fight AIDS, TB and Malaria in just one year. These would all be much more effective uses of UK aid in supporting long-term UK interests.



Key Findings:

- When IDRCs are excluded, total UK Official Development Assistance (ODA) has fallen by 16.4%.
- IDRCs now make up 29% of the ODA budget, and costs per person are significantly in excess of the European average. The UK spends 40% more per person than the next highest spender in Europe.
- If the Home Office rapidly sped up the processing of asylum seekers so that individuals spent no more than 60 days in a hotel, savings of £1bn could be made.
- Alternatively, extending the Homes for Ukraine sponsorship model to all refugees would lead to a saving of £1.4bn in 2023.

The Rise of In-Donor Refugee Costs (IDRCs):

Currently, a large proportion of the UK's international aid budget is spent domestically as the Government has taken the decision to charge IDRCs to the ODA budget and divert aid resources from other multilateral and bilateral aid programmes. For example, in 2022 the Government announced a £400 million cut on their previous commitment to the Global Fund to Fight AIDS, TB and Malaria.¹ The UK was the only G7 member to cut funding, and the US, Canada, Germany and Japan increased their pledges by 30%. The UK's decision was devastating, as the Global Fund is a key institution having helped save 59 million lives since its inception.² Further, the UK committed only £156 million to the Horn of Africa in 2022. This is an 80% cut to the £750 million provided in 2017, which was critical to preventing famine at the time. The UK is also significantly off track on its £11.6bn international climate finance commitment, underspending by almost £1bn per year.³

International development spending is vital for both saving and improving lives, enhancing UK national security and building global partnerships. Investing in development

¹ FCDO, [Written Statement: The Global Fund to Fight AIDS, TB and Malaria](#) [Accessed 10th January 2023]

² The Global Fund to Fight AIDS, TB and Malaria, [Results Report 2023](#) [Accessed 21 September 2023]

³ The UK has committed to delivering £11.6bn of climate finance over a 5-year period, necessitating spending of £2.3bn per year. However, it spent only £1.4bn in 2021/22. Source: <https://questions-statements.parliament.uk/written-questions/detail/2023-04-21/182184/>



interventions can reap significant rewards, and there is a strong value for money argument underpinning the case for a multi-year results focused approach to preventative action.

Development is a smart investment, generating financial returns. For example, aid spent by the UK and other donors through Gavi, the Vaccine Alliance, has helped to generate more than \$150 billion in economic benefits for over 70 developing countries since 2000.⁴ Bilateral ODA creates new markets for British goods and services, and estimates suggest that the decision to cut the UK ODA budget has cost in the range of £322 million to £423 million in lost UK exports.⁵ Further, overseas aid helps to tackle the root causes of forced migration, long-term peacebuilding helps to construct a safer world, and climate change interventions help to make it possible for individuals to continue to live and work within their own communities.

However, pursuing a strategic long-term development policy is not currently possible in the UK because of the volume of ODA being spent on IDRCs. The term IDRCs refers to the expenditure associated with assisting refugees within a donor country's own borders, and under OECD-DAC rules, members can classify IDRCs as ODA for the first 12 months of a refugee's arrival.⁶ Governments can use ODA to cover cost items relating to temporary sustenance (food, shelter and training), but not integration, detention or forced removal.⁷

In recent years, reporting of IDRCs by DAC members has risen significantly, and the UK's International Development Committee (IDC) has reported that the use of the aid budget for IDRCs does not fall within the OECD's traditional definition of ODA, which is spending that "promotes and specifically targets the economic development and welfare of developing countries".⁸ Moreover, the Chair of the OECD-DAC, Carsten Staur, has himself noted IDRCs to be an "exceptional item in ODA reporting", and in a recent article aptly titled *The Elephant in the Room: IDRCs*, Staur issues a stark warning that DAC members will need to "reflect on how best to cope with potential ups and downs of IDRCs in the future".⁹

In a world plagued by converging crises, displacement and forced migration will become more commonplace as the climate crisis worsens and new conflicts continue to arise. According to the World Food Programme, for every 1% increase in food insecurity there is a

⁴ Gavi, [Facts and Figures. Results](#). [Accessed 20 April 2023]

⁵ National Institute of Economic and Social Research, [The Macro-Economic Effects of UK Aid Returning to 0.7% of GNI](#) [Accessed 14 April 2023]

⁶ OECD, [In-donor refugee costs in official development assistance \(ODA\)](#) [Accessed 8th August 2023]

⁷ OECD, [In-donor refugee costs in official development assistance \(ODA\)](#) [Accessed 8th August 2023]

⁸ House of Commons International Development Committee, [Aid Spending in the UK](#) [Accessed 8th August 2023]

⁹ OECD Development Matters, [Carsten Staur: The elephant in the room: In donor refugee costs](#) [Accessed 8th August 2023]



2% increase in migration.¹⁰ The decision to increase domestic ODA spend is self-defeating as failing to promote development in LMICs and climate vulnerable nations will likely just increase the number of refugee arrivals.¹¹ It is therefore vital that DAC members, in particular the UK, find a sustainable route forward in managing IDRCs alongside, and not in direct competition with, their development commitments.

UK ODA Expenditure on IDRCs:

In 2022, the UK spent £3.7bn of ODA on IDRCs.¹² Costs have skyrocketed, and 2022 figures indicate a substantial rise on the £1.1bn spent in 2021.¹³ With almost 30% of ODA now spent on IDRCs, UK aid is becoming too stretched to fulfil its purpose and while supporting refugees is without a doubt the right thing to do, a push for more effective budget management is required.

The FCDO has become a residual spender as Home Office costs take priority, and the UK's reputation as a trusted and valued global development partner has been severely damaged. UK aid has become unreliable and payments uncertain, the most pertinent example of this is the pause on non-essential aid that took place between July and October of 2022 whereby the unprecedented scale of IDRCs led the Government to freeze UK funding to development programmes. The current situation has proven the UK's approach to be completely infeasible and risks aid becoming a short-term, responsive tool. Sudden changes to ODA allocations hamper forward planning and impair the ability of the UK to invest in long-term development and retain credibility as a reliable partner.

The UK is an International Outlier:

Other DAC members adopt a much more responsible, sustainable, and conservative methodology. Some countries have set a ceiling for IDRCs and others class IDRCs as an exceptional cost. For example, the Swedish Government's 2023-24 budget states that IDRCs should be limited to no more than 8% of its total aid budget.¹⁴ Australia has made the decision not to report in-donor refugee costs as ODA and while Germany, one of the largest hosts of refugees in Europe, reports in-donor refugee costs as ODA this spending is additional to the international assistance envelope.¹⁵ Further, France does not report some

¹⁰ World Food Programme, [At the Root of Exodus](#), [Accessed 28 September 2023]

¹¹ House of Commons International Development Committee, [Aid Spending in the UK](#) [Accessed 8th August 2023]

¹² FCDO, [Statistics on International Development: Provisional UK aid spend 2022](#) [Accessed 8th August 2023]

¹³ FCDO, [Statistics on International Development: Final UK aid spend 2021](#) [Accessed 8th August 2023]

¹⁴ SEEK Donor Tracker, [Donor Profile: Sweden](#) [Accessed 8 August 2023]

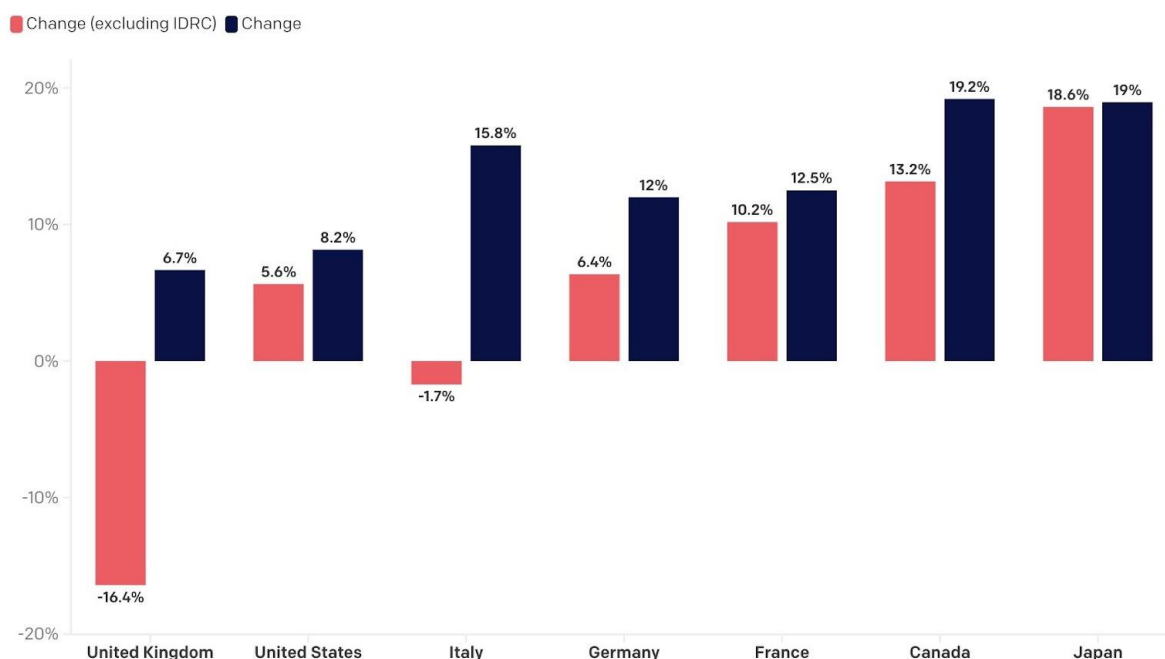
¹⁵ ONE, [Ukraine ODA Tracker](#) [Accessed 8 August 2023]

social costs, such as education for refugee and asylum-seeking children, as ODA. In contrast, prior to the announcement of further ODA funding at the 2022 Autumn statement, the UK was the only G7 member to fund all IDRCs directly from the aid budget.

Furthermore, the UK has by far the highest IDRCs per person in Europe, spending 40% more than the European nation with the next largest expenditure.¹⁶ The UK Government has almost doubled how much in-donor refugee aid it reports per recipient compared to pre-pandemic and this is largely down to Home Office spending on initial accommodation in hotels.¹⁷

The impact of the UK's approach to IDRCs is dramatic when cross-country comparisons are made. Although the FCDO's most recent Statistics on International Development show the UK's ODA provision increasing in 2022, when IDRCs are excluded, total UK ODA has actually fallen by 16.4%. This is a much sharper decrease than has been seen in any other G7 nation.

Changes in ODA levels in 2022 for G7 countries



Source: Based on OECD DAC Table 1, preliminary data. Changes shown in constant prices (accounting for changes in prices and exchange rates)

¹⁶ Development Initiatives, [UK aid trends in a challenging global context](#) [Accessed 16 August 2023]

¹⁷ CGD, [Projections of UK-Hosted Refugees, and the Implications for the UK's Aid Budget and Spend](#) [Accessed 14th December 2022]



The Asylum Backlog and Hotel Accommodation / The Home Office Raid on Aid

The Government has consistently cited the war in Ukraine as a key driver of increased IDRCs. However, **Ukrainian refugees only account for half of the UK's reported IDRCs**, and when Ukrainian arrivals are excluded for 2022, asylum applications still increased by 75% and IDRCs would nevertheless have totalled to £1.8bn.¹⁸ Moreover, Ukrainian refugees are largely hosted in the community, which is much more effective from a refugee welfare perspective and in terms of their impacts on ODA.

The major driver of high costs for non-Ukrainian refugees is **the ever-growing asylum backlog and the prolonged use of hotels as initial accommodation**. The number of people waiting for an asylum decision has increased 408% since December 2017.¹⁹ The huge backlog and the shortage of dispersed accommodation, coupled with the inability of the Home Office to make quick decisions on cases means asylum seekers are remaining within hotels for exceedingly lengthy periods of time, in some cases up to a year, which is damaging for their well-being as well as being extremely expensive. This is also particularly unnecessary given that, as the Refugee Council have estimated, **about half of people in hotels and a quarter of those in dispersed accommodation come from five countries which have very high asylum grant rates: Afghanistan, Eritrea, Iran, Sudan and Syria**. The Government could look to identify a fast-tracking scheme, that is both efficient and fair, for individuals entering from these locations. In March 2023, this accounted for 42,000 people (across both hotels and dispersed accommodation): rapid processing of these people could not only significantly improve welfare for them, but also free up space for more complex cases which may need longer to process.²⁰

According to Home Office figures provided to the ICAI in March 2023, the average cost of hotel use per person per night is £120 contrasted to £18 per person per night for dispersed accommodation in houses or flats. Total expenditure on initial accommodation costs through Asylum Accommodation and Support Contracts, including hotels and other contingency accommodation in 2022 was £1.86bn.²¹ This accounts for the lion's share of Home Office expenditure on IDRCs of £2.38bn,²² and more than half of overall IDRC spending

¹⁸ Development Initiatives, [UK aid trends in a challenging global context](#) [Accessed 16 August 2023]

¹⁹ Institute for Government, [Explainer: Asylum backlog](#) [Accessed 8 August 2023]

²⁰ Refugee Council, [The asylum backlog and asylum accommodation](#) [Accessed 8 August 2023]

²¹ ICAI, [UK aid funding for refugees in the UK](#) [Accessed 8 August 2023]

²² *ibid*



of £3.7bn. Despite the large price-tag attached to hotel accommodation, conditions are poor and safeguarding concerns have been raised.²³

Although the Home Office has announced a series of changes to improve the cost and fairness of the asylum system, these do not yet go far enough. The Government must build upon the Asylum and Protection Transformation Programme and the SAP to clear the backlog and move individuals out from hotels and free up valuable ODA funding in the process.

If the Home Office rapidly sped up the processing of asylum seekers so that individuals spent no more than 60 days in a hotel, savings of £1bn could be made. The table below compares costs in 2022 under our proposal with the actual costs. The Home Office spent £1.86bn on housing 49,379²⁴ people in hotels, initial and contingency accommodation, at a cost of £120 per night. If people had spent no more than 60 nights in hotels while their asylum claims were processed, the overall cost would have been only £800m, even when accounting for the fees paid to local authorities to find accommodation and covering a basic level of costs for people being housed in the community after being granted refugee status.²⁵

	Number of asylum seekers	Nights	Cost	Total cost
Hotel accommodation for initial period	49,379	60	£120 per night	£355m
Accommodation for the remaining 10-month period	49,379	305	£18 per night	£271m
Finder fee for local authorities to identify accommodation in the community	49,379		3,500	£173m
Total cost				£799m

²³ Migrant Voice, “No rest. No Security.” Report into the experiences of asylum seekers in hotels [Accessed 23 August 2023]

²⁴ This figure is for December 2022 and is taken from the Home Office Immigration Statistics published 25 May 2023 <https://www.gov.uk/government/statistical-data-sets/asylum-and-resettlement-datasets>. Asylum seekers in receipt of support. We do not have data throughout the year so have assumed those people spent 314 nights each in a hotel.

²⁵ Assuming that accommodation costs in the community once refugee status is granted are similar to the costs of dispersed accommodation for asylum seekers



The Illegal Migration Act:

The new Illegal Migration Act could create a massive hole in the Home Office's approach to IDRCs. The rules governing IDRCs have raised significant questions for the UK over the ability to use ODA to fund the provisions this law will introduce. The legislation will provide new powers to detain people who are covered by the arrangements for removal duty (entering the UK illegally, having no permission to be in the UK, and not coming directly from a place they fear prosecution) and their family members. The act bans anyone arriving without permission from applying for asylum, but, if individuals are not asylum seekers the Home Office cannot use ODA to cover the costs. The ICAI has found that if implemented in full, the Illegal Migration Act could mean that the Home Office's current spending on support for asylum seekers would no longer be eligible as ODA. In a recent review, the watchdog carried out three scenario-based experiments of how the aid budget could be affected by the Illegal Migration Act in 2024 depending on the extent to which it is implemented. In the examples, the amount of ODA spent by the Home Office on IDRCs could range between £1.8billion to £170 million.²⁶

Despite this, a change in approach remains vital as IDRCs associated with asylum seekers and refugees arriving to the UK by legal means will still be able to be charged to the aid budget, and there will remain a backlog of asylum seekers currently in hotels which will remain eligible for ODA-funded support. There is also continued uncertainty over the extent to which the Home Office will actually implement the Illegal Migration Act.

Recommendations

IDRCs should be made additional to the Government budget earmarked for development spending, whether this is set at 0.5% or 0.7% of GNI. Ensuring additionality would prevent uncertainty around available ODA and thus enable the Government to deliver honest and reliable investment to its partners. IDRCs should not be in competition for, or diverting, scarce aid resources for other development challenges. Making IDRCs additional would also create incentives for the Home Office to improve value for money and efficiency of spending. Without change, the UK will find itself unable to pursue a successful international development strategy as if such high unprecedented costs were to arise again as funding would not be available to deliver upon the FCDO's strategic objectives.

This is an approach which has been successfully pursued in Germany. The German Government continues to classify IDRCs as ODA, but they are reported separately to the

²⁶ ICAI, [Update on ODA eligibility of funding for refugees in the UK](#) [Accessed 21 September 2023]



international assistance envelope. In practice, this means that in the event of a global refugee crisis, funding to critical aid programmes remains protected.

In the immediate term, we believe the following measures should be prioritised:

- **Recommendation 1:** Further practical steps must be taken to reduce the asylum backlog and move individuals out from expensive hotel accommodation.

Rapidly speeding up asylum processing would mean that people would need to spend no more than 60 days in hotel accommodation, while initial security and nationality checks are done. If this was the case, the overall budget could be reduced by about £1bn. This would significantly improve refugee welfare and enable individuals to integrate in the community much more quickly. This would be a significant saving. This money could be used to restore UK aid to global crises such as the famine in the Horn of Africa and reverse the £600 cut to the region since 2017, in addition to fully reversing the cut to the Global Fund in just one year. It could also be used to get the UK back on track towards meeting its climate finance commitments: the UK is currently spending £1bn a year less than it needs to meet the £11.6bn ICF target.

Clearing the asylum backlog is essential to reducing IDRCs, as once a decision has been granted, individuals are required to move out from accommodation provided by the Home Office. After being granted refugee status, individuals can start to earn a wage or begin the process of claiming welfare benefits. The Prime Minister has promised to clear the backlog of legacy asylum claims by the end of 2023. However, progress is slow and further steps can be taken to improve Home Office effectiveness.

Despite the Government's commitment to double the workforce, significant concerns can be raised over productivity levels within the Home Office. Research suggests that the slow processing of applications, driven by an inefficient and understaffed department, has done more to fuel the growth of the backlog than an uplift in the number of applications.²⁷ In December 2022, there were 1,237 caseworkers who made an average of only four asylum decisions per month per staff member.²⁸ Further, in 2021, the UK had 14.9 cases in the asylum backlog per 10,000 population. More than France (7.3), despite it receiving far fewer asylum applications per 10,000 people - 8.4 compared to France's 17.9.²⁹

²⁷ Institute for Government, [Explainer: Asylum backlog](#) [Accessed 8 August 2023]

²⁸ Institute for Government, [Explainer: Asylum backlog](#) [Accessed 8 August 2023]

²⁹ Institute for Government, [Explainer: Asylum backlog](#) [Accessed 8 August 2023]



The Government must take urgent action to improve productivity, and drive recruitment and retention of staff to ensure capacity for clearing the backlog.

First, the role of asylum decision maker should be regraded to Higher Executive Officer and greater promotion opportunities should be offered to incentivise applications and encourage individuals to pursue a longer-term career in the Home Office. Alongside bolstering numbers, staff retention is key to solving the productivity issue as new caseworkers take 12-18 months to become fully proficient in making decisions on complex cases. Some problems are currently stemming from the fact that a significant number of caseworkers are not trained enough to make the required decisions.

Second, processes should be simplified to allow predictable cases to be expedited, the Home Office must go further than the questionnaire issued under the previous SAP. Simplification would boost the number of cases that each caseworker could process.

➤ **Recommendation 2: The Government should look to expand the sponsorship model for Ukrainian refugees to cover other nationalities.**

Following Russia's invasion of Ukraine, the Government introduced the Homes for Ukraine scheme whereby Ukrainian refugees were hosted as guests within British households. Under the scheme, Ukrainian guests were granted three years' leave to remain with permission to work, study and access public funds. The scheme has been widely hailed as a success, and as of November 2022, 56% of newly arrived Ukrainian adults were working.³⁰ Further, the sponsorship model appealed to this public, as studies show that 88% of those who took in Ukrainians would do so again, and most of the public think the UK should continue to take in people from war zones.³¹ It is not beneficial for refugees to spend so long in hotels, and community-based models provide additional freedoms and a more favourable social atmosphere. The scheme was handled by DLUHC, and in 2022 ODA spending by the department totalled £524m, significantly less than the £2.4bn spent by the Home Office on asylum seekers and refugees from other countries.³²

The Homes for Ukraine scheme is considerably cheaper than hotel accommodation costs applied to other nationalities. The hosting costs for Homes for Ukraine are a maximum of £10,100 per year, based on one-off payments to councils of £5,900 per refugee and support payments to host families of £350 per month, or £4,200 a year.³³ Comparatively, hotel costs

³⁰ House of Commons Library, [Homes for Ukraine Scheme](#) [Accessed 8 August 2023]

³¹ The Guardian, [Rowena Mason: Most Britons think housing Ukrainian refugees is a good thing](#) [Accessed 8 August 2023]

³² FCDO, [Statistics on International Development: Provisional UK aid spend 2022](#) [Accessed 8th August 2023]

³³ This overestimates per person costs because the fees are paid per family, not per person, making the overall cost even lower.



per person are £37,670. Applying a similar cost per person for the Homes for Ukraine scheme to all refugees and asylum seekers would lead to a saving of £1.4bn per year.

Passing further responsibility to DLUHC would be a sensible move given the department's current successful track-record. The Home Office has proven itself to be unable to manage refugee finances effectively or transparently. The Government should look to expand the sponsorship model to include other nationalities. Specialist country-by-country approaches could be established to encompass individuals arriving from war-torn nations and nations with high asylum grant rates such as Afghanistan, Eritrea, Iran, Sudan and Syria. Expansion of the model would enable individuals to work and encourage better integration. Measures will need to be in place to ensure vulnerabilities are considered and the correct support is in place across the system to safeguard people on both sides.

- **Recommendation 3:** As the department responsible for overall ODA spending, the FCDO should conduct a review of the UK's methodology for reporting IDRCs.

In a recent rapid review conducted by the ICAI, it was noted that the UK's method for calculating IDRCs seems to be within DAC rules, but does not follow the guidelines on a conservative approach. The UK includes estimated costs within its current reporting such as those relating to NHS services. These costs are difficult to calculate and therefore calculations may not be entirely accurate. The ICAI has noted that the UK's use of modelling instead of reporting actual costs carries risks of over-reporting, and other DAC donors report actual, measurable costs.³⁴

Home Office transparency is also a major issue when addressing IDRCs. There are inconsistencies across government departments on aid spending. On ONE's last Real Aid Index assessment, completed in 2020, the Home Office scored only moderate for transparency.³⁵ Transparency is also lacking in the responses received from the FCDO to requests for further details on spending, in particular on in-donor refugee costs. Civil society organisations' requests for information from government officials have not been able to elicit clear responses on spending. Responses to written parliamentary questions submitted by MPs on this topic also lack substance.

A major review, including an assessment of the model for deduction and current transparency, must take place to ensure greater clarity and forward-planning for the future.

³⁴ ICAI, [UK aid funding for refugees in the UK](#) [Accessed 8 August 2023]

³⁵ ONE (2020) [Real Aid Index 2020](#) [Accessed 14th December 2022]