

UK aid to refugees in the UK

A rapid review

March 2023

(Including April 2023 update)

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Acronyms and glossary

Acronym	Definition
AASC	Asylum Accommodation and Support Contracts
ACRS	Afghan Citizens Resettlement Scheme
AIRE	Advice, Issue Reporting and Eligibility contract
ARAP	Afghan Relocations and Assistance Policy
COMPASS	Commercial and Operational Managers Procuring Asylum Support Services
CSO	Civil society organisation
DLUHC	Department for Levelling Up, Housing and Communities
EU	European Union
FCDO	Foreign, Commonwealth and Development Office
GNI	Gross national income
ICIBI	Independent Chief Inspector of Borders and Immigration
IDC	International Development Committee
KPIs	Key performance indicators
MSVCC	Modern Slavery Victims Care Contract
NAO	National Audit Office
ODA	Official development assistance
OECD-DAC	Organisation for Economic Cooperation and Development's Development Assistance Committee
PAC	Public Accounts Committee
SDGs	Sustainable development goals
UASC	Unaccompanied asylum-seeking children
UKRS	UK Resettlement Scheme
UNHCR	United Nations High Commissioner for Refugees

Key term	Definition
Asylum backlog	The asylum backlog refers to the number of individuals seeking asylum in the UK who are awaiting a decision on their case.
Asylum seeker	An asylum seeker is an individual seeking international protection, whose claim has not yet been decided on by the country in which it is submitted.
Bilateral aid	Bilateral aid is official development assistance (ODA) provided for a specific purpose, normally a particular country, region or sector, which is given directly to recipient governments or delivered through other UK partners.

Case Resolution Directorate	The Case Resolution Directorate was established in 2007 to address an asylum backlog of nearly 450,000 asylum cases. It increased dedicated staff to manage processing decisions and digitised tracking systems.
Contingency accommodation	Due to capacity issues of initial accommodation [see definition below], contingency accommodation is used to house asylum seekers, including hotels, repurposed Ministry of Defence facilities, student housing and other self-contained accommodation.
COVID-19	The coronavirus disease is a communicable respiratory disease that spread rapidly around the world from late 2019, resulting in the World Health Organisation declaring a pandemic in March 2020.
Financial year	The financial (or fiscal) year used in government accounting runs from 6 April to 5 April the following year.
In-donor refugee costs	'In-donor refugee costs' is a reporting category used when donors report their ODA spending to the OECD-DAC. Donors can report some of the cost of supporting refugees or asylum seekers for the first 12 months of their time in a donor country as ODA under this reporting category. OECD-DAC has set out rules and clarifications for what costs donors can include.
Initial accommodation	Short-term housing, usually hostel-type, that can be full-board, half-board or self-catering. It is for asylum seekers who need accommodation urgently before their support applications have been fully assessed and longer-term or dispersed accommodation [see definition below] can be arranged. The amount of time in initial accommodation can vary.
Dispersed accommodation	Temporary accommodation for asylum seekers used on a longer-term basis while asylum claims are being processed. Accommodation is managed by contractors on behalf of the Home Office in local authorities across the UK. The amount of time spent in dispersed accommodation varies and it is not always possible to stay in the same property.
Leave to remain	Immigration decision that gives a person from outside the UK permission to stay. Leave to remain can be limited , thus expiring after a set period, or indefinite , allowing the non-UK national permanent residency.
Refugee	People who are outside their country of nationality and in need of international protection, and who have fled their country because their lives, safety or freedom are threatened by war, conflict, generalised violence, human rights abuses or persecution.
ODA spending target	The UK has an ODA spending target set in law at 0.7% of gross national income. Currently, the UK has set its commitment at 0.5% of gross national income. However, the target in law remains 0.7% and the UK has stated its commitment to return to this when fiscal conditions allow.
Resettlement	UNHCR has defined resettlement as the transfer of refugees from an asylum country to another state, which has agreed to admit them and ultimately grant them permanent residence.
Safeguarding	Safeguarding includes the protection of individuals from physical, psychological and emotional abuse, exploitation and neglect.

Spender and saver of last resort	In the case of UK ODA, FCDO is the 'spender and saver of last resort'. This means that FCDO will have to adjust its own ODA spending at the end of each calendar year to ensure the 0.5% ODA spending commitment is met but not exceeded.
Value for money	Value for money in government spending is a measure of how well an intervention, project, programme, portfolio, contract, policy, etc optimises public value (social, economic and environmental), in terms of potential costs, benefits and risks. Value for money of aid spending should include attention to four Es – effectiveness, efficiency, economy and equity – and can only be achieved if the activity's objectives are SMART: specific, measurable, achievable, realistic and time-limited. Value for money definitions and the SMART objectives are set out in HM Treasury's Green Book (link).

Executive summary

Under international aid rules, the first year of some of the costs associated with supporting refugees and asylum seekers who arrive in a donor country qualifies as official development assistance (ODA). This category of aid is referred to as ‘in-donor refugee costs’. The rationale is that supporting refugees with basic services and accommodation is a form of humanitarian assistance, wherever they are located, and can, therefore, be reported as aid. The rule has always been controversial as the funds remain within the donor country. It has become particularly problematic in recent years, as large-scale refugee movements have caused in-donor refugee costs to rise rapidly.

In 2022, ICAI estimates that core UK expenditure on in-donor refugee costs was around £3.5 billion, approximately one third of the UK’s total aid that year. The estimate is based on figures shared by government departments with ICAI between December 2022 and February 2023. The official figures may differ as a result of a quality assurance process taking place before the government reports its annual official statistics on international development spending. The provisional official statistics on UK aid expenditure will be published by the Foreign, Commonwealth and Development Office (FCDO) in April 2023.

There are a number of reasons for the increase in UK aid spent on in-donor refugee costs, including the large visa schemes established for Afghan and Ukrainian refugees, increasing numbers of asylum seekers crossing the Channel, and a growing backlog in asylum claims processing. Due to a shortage of accommodation, the Home Office has housed refugees and asylum seekers in hotels, at a reported cost of £6.8 million per day in October 2022.

Because the UK, uniquely among major donors, sets a ceiling for its annual aid budget, more aid spent on in-donor refugee costs means less available to spend in developing countries. The recent reduction of the UK aid spending commitment from 0.7% to 0.5% of gross national income (GNI) has caused in-donor refugee costs to absorb a growing share of a shrinking total. This rapid review examines the impact of these rising costs on the UK aid budget, and the effectiveness of the services provided to refugees and asylum seekers.

The impact of in-donor refugee costs on the UK aid programme

Soaring in-donor refugee costs have caused major disruption to the UK aid programme while at the same time not contributing to any of the priorities in the UK government’s *International development strategy*, published in May 2022. In July 2022, FCDO announced a pause on all ‘non-essential’ ODA spending, which lasted until November 2022. The pause was necessitated not just by the scale of in-donor refugee costs, but by their unpredictability. As the major aid-spending department and spender and saver of last resort, FCDO is responsible for ensuring that the UK government hits, and does not overshoot, its 0.5% ODA spending commitment. It does so by adjusting its own spending in response to ODA expenditure by other government departments. Lacking an accurate forecast from the Home Office of the sharply rising ODA spend on in-donor refugee costs, FCDO was forced to put its own programming on hold, despite the risk to its partnerships and the many people around the world who rely on UK development and humanitarian aid. While FCDO put in place criteria for making exemptions to the spending pause to protect the most vulnerable, the scale of the savings that the department had to make was so large that this was not sufficient to avoid all risks of harm. The department was also unable to undertake financial planning for the coming year.

To limit the impact, in November 2022 the chancellor temporarily raised the ODA spending limit by £2.5 billion over two years, amounting to an increase in the aid spending commitment from 0.5% to around 0.55% of GNI. This has only partially mitigated the disruption facing the UK’s aid programme. While FCDO has not published its budget allocations, the minister of state for development and Africa, Andrew Mitchell, informed the International Development Committee in December 2022 that there were still likely to be 30% budget reductions to bilateral aid programmes across the board.

One important consequence is that the UK’s ability to respond to global crises and humanitarian emergencies has been sharply curtailed. The UK’s bilateral humanitarian budget is now considerably smaller than its ODA spending on in-donor refugee costs, which has undermined its commitment to playing a leading role in the

international response to global crises. This was seen in the limited UK response both to devastating floods in Pakistan in August 2022, and to the worsening drought in the Horn of Africa, which is expected to lead to widespread famine in 2023.

The diversion of UK aid resources away from emergency response to supporting refugees and asylum seekers in the UK represents a significant loss in the efficiency and equity of UK humanitarian aid. In-donor refugee support is an expensive way to spend ODA, compared to supporting crisis-affected people in their own country or region. The UK is, therefore, able to use its ODA budget to help far fewer people. It also runs counter to a key humanitarian principle that humanitarian action should give priority to the most urgent needs.

The UK's approach to in-donor refugee costs creates little incentive for the Home Office and other departments to control their expenditure in this area. Home Office officials underlined their attention to value for money and said the alternative to expensive emergency accommodation through hotels would be widespread homelessness of asylum seekers. We are, nevertheless, concerned that the Home Office and other departments' ability to spend an unlimited proportion of the UK's ODA budget could undermine any incentive to undertake long-term planning to reduce costs. One of the stakeholders we interviewed described it as a blank cheque for the Home Office.

The UK's method for calculating in-donor refugee costs is more transparent than that of many other donors. It seems to be in accord with guidance from the Organisation for Economic Cooperation and Development's Development Assistance Committee, which oversees international aid statistics, but the UK's use of modelling instead of reporting actual incurred costs carries risks of over-reporting. However, there are significant variations in how, and to what extent, other donors report their refugee costs. Australia and Luxembourg choose not to report any in-donor refugee costs as ODA. Comparing the approach of different donors based on their published methodologies on how they report in-donor refugee costs, ICAI found that some donors, such as Austria, Belgium, Canada, France and Iceland, calculate some ODA-eligible costs in a more conservative manner than the UK. This suggests that the UK could reduce disruption to its aid programme by adjusting how it reports in-donor refugee costs.

The quality and value for money of in-donor refugee spending

In recent years, the Home Office has faced a critical shortage of accommodation for refugees and asylum seekers. As of 14 March 2023, it used 386 hotels around the UK to host asylum seekers, up from around 200 in October 2022. In addition, in October 2022 we were told the Home Office used 64 hotels to accommodate Afghan refugees. While ICAI had initially been given a different, and larger, figure for the average cost of hotel accommodation, we were informed in March 2022 by the Home Office that it amounted to £120 per person per night (including catering and other services), compared to £18 for longer-term accommodation in houses and flats. While the Home Office has recently started planning long-term solutions, the short-term nature of its response to date has contributed to the spiralling costs. This has been exacerbated by a large and growing backlog in processing asylum claims, which results in many more people entering Home Office-provided accommodation than leaving, and longer stays in hotel accommodation for newly arrived asylum seekers. While the asylum system is not within ICAI's scrutiny remit, it is clear that measures to speed up processing could help reduce emergency accommodation costs, thus lessening the disruption to the aid programme.

The Home Office engages private contractors to provide accommodation and services for asylum seekers. ICAI assessed how these high-value contracts were managed and found that the Home Office did not effectively oversee the value for money of the services. It has recently developed trackers to monitor and compare the cost effectiveness of different suppliers, but the key performance indicators (KPIs) that are being monitored are, overall, not appropriate for the task of ensuring that the right outcomes are being reached and that value for money is achieved. Without appropriate performance data and baselines, the Home Office's ability to manage its suppliers in such a way as to encourage continuous improvement is limited. The KPIs for supplier performance are no longer considered to be effective and have not been changed for four years despite significant changes to the operating environment. The commercial contract management team has been significantly under-resourced since the inception of the contracts, and is only now in the process of

recruiting the size of team required according to contract management best practice. In our review, we found that the officials charged with managing the contracts have not had the appropriate level of commercial experience for contracts of this value, according to UK government guidance. We were told by the Home Office in March 2023 that an open book audit of the contracts had been performed a year earlier, but we were not given documentation of its findings.

Several other scrutiny bodies have examined the Home Office's support for asylum seekers and refugees over the past five years, including the Public Accounts Committee, the Home Affairs Committee, the National Audit Office and the Independent Chief Inspector of Borders and Immigration. Value for money concerns emerge as a consistent theme, along with urgent calls for the Home Office to resolve the accommodation crisis. We did not find evidence in our review that the Home Office had improved its contract management practices in response to earlier recommendations. In March 2023, the Home Office provided a list of improvements they are currently undertaking, including remedying the under-resourcing of the commercial contract management team, clarifying roles between commercial and service delivery teams, and strengthening commercial oversight. However, ICAI did not see evidence to verify this information or assess how these improvements are being implemented.

The UK has set up individual schemes for different groups of refugees and asylum seekers, which provide different levels of support and create unhelpful competition for resources, including for scarce accommodation. High-profile schemes for Afghans and Ukrainians are relatively well resourced, but have crowded out other categories, particularly schemes for resettling refugees identified by the UN High Commissioner for Refugees.

There is considerable variation across regions and local authorities, and between different hotels in the same areas, on the quality and level of services. Services are particularly limited for asylum seekers, and we found many examples of charities, community groups, hotel management and concerned individuals providing additional support to fill key gaps, such as donating winter clothes for newly arrived destitute asylum seekers. We are concerned at the high levels of inequity across the UK's refugee and asylum seeker support, which runs contrary to the humanitarian principle of fairness ('leaving no one behind').

We are also concerned about the high level of safeguarding lapses we heard about in relation to schemes managed by the Home Office. Refugees and asylum seekers in hotel accommodation – particularly women and girls – face significant risks, especially of gender-based violence and harassment. There appears to be considerable variation between hotels as to whether asylum seekers are housed and treated in a gender-sensitive way, and whether hotel staff are properly vetted and trained. Home Office contractors do not have clear enough obligations to address safeguarding issues systematically, and safeguarding does not feature in their KPIs.

Recommendations

We offer the following recommendations to the UK government on how to improve the quality of aid spending on in-donor refugee costs and minimise the resulting disruption to UK aid.

Recommendation 1: The government should consider introducing a cap on the proportion of the aid budget that can be spent on in-donor refugee costs (as Sweden has proposed to do for 2023-24) or, alternatively, introduce a floor to FCDO's aid spending, to avoid damage to the UK's aid objectives and reputation.

Recommendation 2: The UK should revisit its methodology for reporting in-donor refugee costs, as Iceland did, with the aim of producing a more conservative approach to calculating and reporting costs.

Recommendation 3: The Home Office should strengthen its strategic and commercial management of the asylum accommodation and support contracts, both individually and as a group, to drive greater value for money.

Recommendation 4: The Home Office should consider resourcing activities by community-led organisations and charities as sub-contractors in the asylum accommodation and support contracts for dedicated activities to support newly arrived asylum seekers and refugees.

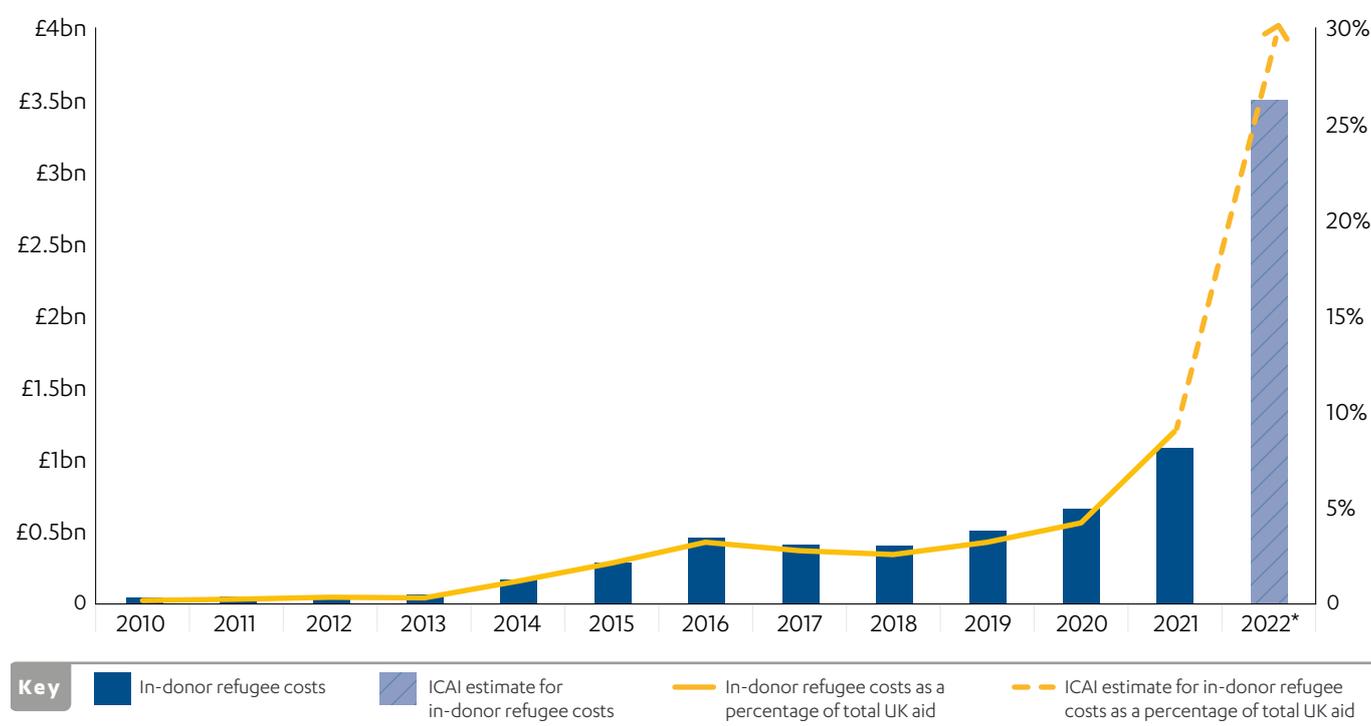
Recommendation 5: The government should ensure that ODA-funded in-donor refugee support is more informed by humanitarian standards, and in particular that gender equality and safeguarding principles are integral to all support services for refugees and asylum seekers.

Recommendation 6: The Home Office should strengthen its learning and be more deliberate, urgent and transparent in how it addresses findings and recommendations from scrutiny reports.

1. Introduction

1.1 The amount of official development assistance (ODA) spent within the UK’s borders on accommodation and support for refugees and asylum seekers (known as in-donor refugee costs) has increased dramatically in recent years. From a negligible amount ten years ago, in 2021 this made up around 9% of all UK ODA, amounting to more than £1 billion. While official statistics from the government had not yet been released at the time of publication of this report, ICAI estimates that in 2022 the cost rose to around £3.5 billion and approximately one third of all UK aid that year (see **Figure 1**).¹ ICAI’s estimate is based on the preliminary ODA spending figures departments were working with, updated in the period between December 2022 and February 2023. These data are not comprehensive but cover core UK spending on in-donor refugee costs. They have not yet been quality-assured, so the official statistics, which will be published by the Foreign, Commonwealth and Development Office (FCDO) in April 2023, may differ.

Figure 1: UK spending on in-donor refugee costs, in absolute figures (£ billion) and in proportion to total aid (%), from 2010 to 2022*



*The spending figure and proportion for 2022 are ICAI estimates based on working numbers provided between December 2022 and February 2023, not official government statistics.

ODA spend figures were taken from OECD QWIDS data to calculate the proportion of ODA spent on in-donor refugee costs.

Source: *OECD Query Wizard for International Development Statistics*, Organisation for Economic Cooperation and Development, n.d., [link](#) (accessed January 2023).

1.2 Under the international rules governing ODA, donors are permitted to report some of their spending on accommodation and support for refugees and asylum seekers during the first year after their arrival as international aid (a category of aid known as ‘in-donor refugee costs’). The rationale is that support for refugees is a form of humanitarian aid, wherever they are located. While the rule has always been controversial, it becomes particularly problematic when major conflicts cause in-donor refugee costs to spike. This happened in 2015-16, when large numbers of Syrian refugees travelled from regional host states to the EU. In August 2021, the Taliban takeover of power in Afghanistan led to the evacuation and flight of many Afghan refugees. In 2022, the Russian invasion of Ukraine led to 7.5 million refugees fleeing to European countries.

1 This assumes that total UK aid will be around £10 billion in 2022. FCDO will release preliminary figures for total UK ODA and in-donor refugee costs in its *Statistics on international development* in April 2023.

- 1.3 The sharp rise in in-donor refugee costs comes against the background of recent reductions in the UK aid budget, caused by the COVID-19 pandemic's impact on gross national income (GNI) and the reduction in the UK aid spending commitment as a proportion of GNI. The reduction from 0.7% to 0.5% of GNI has magnified the impact of the increased costs, causing them to absorb a much larger share of a shrinking total. This rapid review aims to shed light on this category of aid spending which, until recently, was not well known to the public. It covers all UK ODA spent on supporting refugees and asylum seekers in the UK, with the Home Office as the main spender.
- 1.4 ICAI's remit is only to review the use of the aid budget. We have not investigated the asylum claims processing system, detention practices or forced removals, since these activities are not eligible as ODA under the rules set by the Development Assistance Committee of the Organisation for Economic Development and Cooperation (OECD-DAC). Due to the rapid nature of this assessment, and the many different schemes and departments spending ODA on refugees and asylum seekers, the review could not cover all aspects of in-donor refugee costs with the same level of detail. It focuses attention on the UK's main resettlement schemes and its asylum accommodation and support contracts, which together make up a large proportion of UK ODA on in-donor refugee costs.
- 1.5 The review complements recent reports by the Public Accounts Committee,² the National Audit Office,³ and the Independent Chief Inspector of Borders and Immigration,⁴ as well as the International Development Committee's report on the topic, published on 2 March 2023.⁵

Box 1: How this report relates to the sustainable development goals

The sustainable development goals (SDGs), otherwise known as the global goals, are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

ICAI's reviews always describe how the ODA spending under scrutiny is related to furthering the SDGs. The topic of in-donor refugee support is unusual since it does not fit neatly under any SDG. This is partly to do with donors agreeing that in-donor refugee costs should be understood as a form of humanitarian assistance, not development aid.



Goal 10: Reduced inequalities: SDG target 10.7 is on “orderly, safe, regular and responsible migration, and mobility of people, which includes the implementation of planned and well-managed migration policy”.⁶ This target falls under SDG goal 10, to reduce inequality within and among countries. There is no specific target for SDG 10 on refugees or forced migrants, which has led experts to describe an “SDG refugee gap”.⁷



Goal 5: Gender equality: The International Development Act, which guides all UK aid, includes the duty when providing humanitarian assistance to “have regard to the desirability of providing assistance ... in a way that takes account of any gender-related differences in the needs of those affected by the disaster or emergency”.⁸

- 1.6 The review questions are listed in **Table 1** and address the relevance, coherence and effectiveness of the UK's aid spending on in-donor refugee costs. The review findings in **Section 4** are structured into two parts. **Part one** assesses the relevance and coherence of this aid spending, and **Part two** assesses the effectiveness and quality of the expenditure.

² *Asylum accommodation and support transformation programme, Twenty-fifth report of session 2019-21*, Public Accounts Committee, 2020, [link](#).

³ *Asylum accommodation and support*, National Audit Office, 2020, [link](#).

⁴ *An inspection of UK refugee resettlement schemes, November 2019 – May 2020*, Independent Chief Inspector of Borders and Immigration, 2020, [link](#); *An inspection of contingency asylum accommodation, May 2021 – November 2021*, Independent Chief Inspector of Borders and Immigration, 2022, [link](#).

⁵ *Aid spending in the UK: Sixth report of session 2022-23*, International Development Committee, March 2023, [link](#).

⁶ Sustainable development goals, United Nations, September 2015, [link](#).

⁷ *UN sustainable development goals and the “refugee gap”: Leaving refugees behind?*, Denaro, C. and Giuffrè, M., *Refugee Survey Quarterly*, 2022, vol. 41, no. 1, p. 79, [link](#).

⁸ *International development (gender equality) act 2014*, Chapter 9, HM Stationery Office, [link](#).

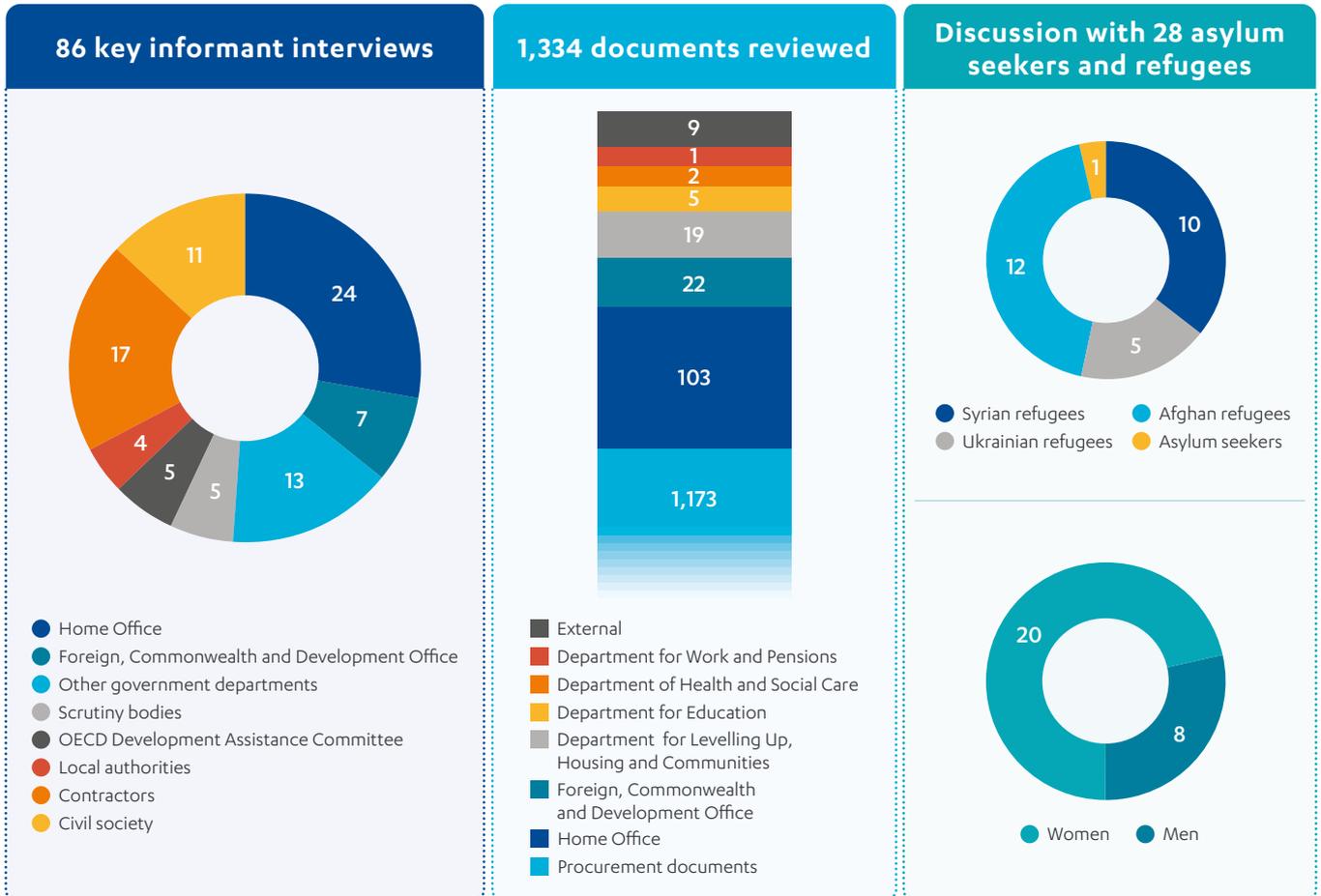
Table 1: Our review questions

Review criteria and questions	Sub-questions
<p>Relevance: How relevant is the UK's approach to spending official development assistance (ODA) on in-donor refugee support to its <i>International development strategy</i>, its legal requirements towards refugees and asylum seekers, and to the OECD-DAC reporting criteria and international best practice in this area?</p>	<ul style="list-style-type: none"> • How does the UK's approach to ODA spending on in-donor refugee support align with the overall objectives and delivery of the UK aid programme? • How well does the UK's approach to in-donor refugee support meet international best practice when benchmarked against other donors? • How does this spend align with key UK commitments, specifically the sustainable development goals and the global compact on refugees? • How is ODA eligibility, management and oversight organised and ensured?
<p>Coherence: How well are different parts of the UK government working together to minimise the impact that sharp increases and fluctuations in spending on refugees in the UK have on the planning and delivery of the UK's international development and humanitarian programming?</p>	<ul style="list-style-type: none"> • How well do UK government departments forecast and communicate on in-donor refugee support costs and manage volatility in the context of the aid-spending target? • How well has the UK government managed disruption in the UK aid programme caused by the sharp rise in in-donor refugee support costs?
<p>Effectiveness: How well are standards met for aid delivery in support of refugees in the UK?</p>	<ul style="list-style-type: none"> • To what extent is value for money achieved through delivery contracts for refugee and asylum seeker accommodation and support? • Are adequate standards upheld in terms of quality, non-discriminatory and respectful care for all refugee and asylum seeker groups? • Are there effective systems and processes in place to identify the most vulnerable and ensure their needs and requirements are met, including safeguarding standards and gender-sensitive approaches? • How has the Home Office learned to improve delivery of in-donor refugee support from previous scrutiny reports?

2. Methodology

- 2.1 The methodology has six components, which together allow evidence to be triangulated and the analysis to be informed by a range of tools and perspectives.
- 2.2 **Strategic review:** This involves a combination of document review, key informant interviews and two expert roundtables, and included the following analytical tasks:
- Mapping changes over time in relevant factors including changes to asylum policy, official development assistance (ODA) methodology (especially on eligibility), spending departments, and ODA cost per refugee/asylum seeker from 2015 to 2022.
 - Mapping UK ODA strategies, priorities and relevant international commitments and checking the relevance of spending on in-donor refugee support against these.
 - Mapping, through document review and interviews, current and historical refugee resettlement schemes, and Homes for Ukraine, from 2015 to 2022.
 - Reviewing existing scrutiny of this ODA spend and related activities, mapping recommendations by the National Audit Office (NAO), the Public Accounts Committee (PAC) and the Independent Chief Inspector of Borders and Immigration (ICIBI), and identifying follow-up activities on implementation of ODA-relevant recommendations.
 - Recording the historical debate among Development Assistance Committee (DAC) donors on whether and how in-donor refugee costs should be ODA-eligible, and the UK's role and position in this debate.
 - Reviewing implications for the transparency, predictability and reliability of UK aid from the budget volatility caused by sharp rises and fluctuations in in-donor refugee costs.
- 2.3 **Procurement and contract management analysis:** We analysed the procurement, contract management and oversight of the current asylum seeker accommodation and support contracts. A sample approach was taken due to time and resource constraints.
- 2.4 **Site visits:** We undertook key informant interviews and group discussions during three short site visits in England and Scotland, meeting with local authorities, private service providers, and with civil society and community groups working with refugees and asylum seekers.
- 2.5 **Stakeholder roundtables:** We undertook two roundtable discussions with key stakeholders and experts among civil society, practitioners and researchers, with one on effectiveness questions and one on coherence.
- 2.6 **Benchmarking exercise:** We conducted a benchmarking exercise of the UK approach to in-donor refugee support against a selection of other DAC donors. The benchmarking was in two parts: (i) a quantitative exercise mapping the UK and ten other donors against a set of quantitative indicators drawn from the DAC database and other internationally comparable datasets; and (ii) a qualitative analysis of the approach taken by a smaller set of donors.
- 2.7 **Engagement with affected people:** While ICAI's rapid reviews do not usually include engagement activities with affected people due to the short timeframe of the review, we undertook six focus group discussions with refugees from Afghanistan, Syria and Ukraine and one interview with an asylum seeker living in hotel accommodation. In addition to these organised engagement activities with a total of 28 refugees and asylum seekers, we also heard from asylum seekers and refugees on our three site visits.

Figure 2: Breakdown of interviews and focus groups conducted and documents reviewed



Box 2: Limitations to the methodology

Limited site visits: We carried out in-person research in three urban areas, visiting asylum seeker, Afghan and Ukrainian emergency accommodation, and interviewing a range of government, contractor and civil society organisation (CSO) stakeholders. Findings on quality and availability of services are not based on this limited number of site visits alone, but are cross-referenced with information from interviews with experts and representatives of CSOs, local authorities and the Home Office, as well as previous scrutiny reports from ICIBI, NAO and PAC. We did not visit rural locations or sites in Wales and Northern Ireland.

Limited number of interviews: There were a limited number of interviews with the Home Office and service providers on the procurement and contract management aspects of asylum services but, after delays, we were able to see a large number of contract documents and map gaps in the existing documentation. This allowed us to effectively use the limited number of interviews (conducted with three out of four of the private contractors and with the Home Office’s operational, commercial and finance teams) and provide a robust analysis of value for money and contract management.

Limited engagement with affected populations: We consulted 28 refugees and asylum seekers in six focus groups and one interview. This sample cannot produce generalisable results on its own, but it illustrated and emphasised challenges and issues that also emerged in the documentary evidence and stakeholder interviews. We found that evidence from the focus groups and from other sources tended to reinforce each other.

Limitation of scope: As we were only assessing ODA-funded activities, we did not assess: (i) the asylum determination process and reasons for the backlog (which greatly affect accommodation and support

services); (ii) detention centres such as Manston; and (iii) forced removals such as the proposed Rwanda scheme, as these are not funded by ODA.

Limitation of time: We were not able to cover all aspects of UK aid spending on in-donor refugee costs due to a tight review schedule combined with a complex and large range of spending reported as in-donor refugee costs. Most notably:

- We gathered spending data from most of the government spenders of in-donor refugee costs in the UK, but not from HM Revenue and Customs or ODA-eligible costs for education and health administered by the devolved administrations. Our estimated spending figures for 2022, nevertheless, include the core part of UK in-donor refugee costs from the main spending departments.
- We did not assess services and accommodation for unaccompanied asylum-seeking children. This important topic was covered in a recent inspection report by ICIBI (March-May 2022).⁹ It remains a highly relevant issue of concern as unaccompanied minors continue to be placed in hotel accommodation.
- We conducted a preliminary review of material from the Modern Slavery Victim Care Contract, but did not conduct an in-depth analysis of this scheme. ICAI recently conducted a review of other aspects of the Home Office's modern slavery scheme.¹⁰
- We were not able to look at the Homes for Ukraine scheme to the same extent as the Afghan Citizens Resettlement Scheme and the asylum accommodation and support contracts.

9 *An inspection of the use of hotels for housing unaccompanied asylum-seeking children (UASC) March – May 2022*, Independent Chief Inspector of Borders and Immigration, October 2022, [link](#).

10 *The UK's approach to tackling modern slavery through the aid programme*, Independent Commission for Aid Impact, October 2020, [link](#).

3. Background

A global displacement crisis has led to rising refugee support costs

- 3.1 Official development assistance (ODA) spending on in-donor refugee costs in the UK has increased significantly since 2019, with costs accelerating in 2021 and 2022 (see **Figure 1** above). The increase was particularly sharp in 2022 due to a combination of factors, including the following:
- Many people entered the asylum system, with 74,751 individuals claiming asylum in 2022, compared to 50,042 in the previous year.¹¹ In 2022, 45,755 people arrived in small boats across the English Channel,¹² of whom almost all claimed asylum on arrival.
 - Large visa schemes came online for Afghan and Ukrainian refugees. Around 21,400 Afghans have arrived in the UK for resettlement since the Taliban took control of Afghanistan in August 2021. While data from the Home Office are not yet finalised, around 6,300 of these have been granted indefinite leave to remain in the UK under the mainly ODA-funded Afghan Citizens Resettlement Scheme (ACRS) and another 6,200 under the open-ended non-ODA-funded Afghan Relocations and Assistance Policy (ARAP) for Afghans who had worked directly with the UK government.¹³ After the Russian invasion of Ukraine on 24 February 2022, 165,700 Ukrainian refugees have arrived in the UK as of 6 March 2023, of whom 117,100 arrived under the mainly ODA-funded Ukraine Sponsorship Scheme, also known as ‘Homes for Ukraine’.¹⁴
 - A growing backlog in asylum processing, with 160,919 asylum applications (including main applicants and their dependants) awaiting decision on 31 December 2022, 109,641 of whom had waited more than six months.¹⁵ This has added to the pressures on a limited stock of accommodation for asylum seekers.
 - The widespread use of hotels to house both Afghan refugees and people claiming asylum. Before the COVID-19 pandemic, hotels were used sparingly as initial or bridging accommodation for a few weeks. By October 2022, lengthy stays in hotel accommodation cost £6.8 million every day.¹⁶ When ICAI conducted site visits in November 2022, we were told there were 64 hotels for Afghan refugees (ACRS and ARAP) and some 200 hotels for asylum seekers. As of 14 March 2023, the Home Office told us the number of hotels used to accommodate asylum seekers had increased to 386.

“ We were told that the accommodation was temporary, but we stayed for two years and there is still no news [about housing]. ”

Syrian woman refugee, UK resettlement scheme

“ One of our problems is that we cannot be active [staying in a hotel room for long], my son couldn’t have any activity. Most of the time he wants to go shopping but we don’t go out. We don’t have any places in the hotel for us to speak to other families and talk about our problems. ”

Woman from Iran seeking asylum

11 The figures are for main applicants. For the Home Office’s official asylum statistics for 2022, see *Asylum and resettlement datasets*, Home Office, 23 February 2023, [link](#).

12 For the Home Office’s official statistics on boat arrivals in 2022, see *Irregular migration detailed datasets and summary tables*, Home Office, 23 February 2023, [link](#).

13 *Transparency data: Afghan Resettlement Programme: operational data*, updated 24 November 2022, Home Office, [link](#) (accessed 10 March 2023).

14 *Transparency data: Ukraine Family Scheme, Ukraine Sponsorship Scheme (Homes for Ukraine) and Ukraine Extension Scheme visa data*, updated 2 February 2023, Home Office, [link](#) (accessed 10 March 2023).

15 *Asylum applications awaiting a decision*, Asy_DO3, Home Office, 23 February 2023, (accessed 10 March 2023), [link](#).

16 *Oral evidence: Channel crossings*, HC 822, Home Affairs Select Committee, 26 October 2022, Q85-87, [link](#).

- 3.2 The rising number of refugees and asylum seekers arriving in the UK is part of a global crisis. In May 2022, the UN Refugee Agency (UNHCR) counted more than 100 million forcibly displaced people for the first time since it started keeping records.¹⁷ While most are internally displaced, the number of refugees – those fleeing outside their own country due to persecution or violent conflict – has been rising every year in the past decade and steeply in 2022. After the Russian invasion in February 2022, Ukrainians have taken over from Syrians as the world’s largest refugee population, with more than 7.8 million Ukrainian refugees recorded across Europe.¹⁸ Around one million Ukrainians had arrived in Germany by the end of 2022. Poland has had millions of refugees travelling through, with 1.5 million granted temporary protection in the country by January 2023. The Czech Republic, with a population of 10.5 million people, granted temporary protection to 485,124 Ukrainian refugees by January 2023.¹⁹ Across the world, host countries struggle to register and provide material support to refugees and asylum seekers in a time of economic downturn and high inflation, humanitarian crises, and the enduring impact of the COVID-19 pandemic.
- 3.3 There is no ceiling for how much of the UK aid budget can be spent on in-donor refugee costs. The methodology for determining ODA-eligible costs is based on data and estimates of how many refugees and asylum seekers arrive in the country, how much support they will need, and which forms of support are ODA-eligible.
- 3.4 The UK is committed to achieving but not exceeding its ODA spending commitment of 0.5% of gross national income (GNI). As the government’s ODA spender and saver of last resort, the Foreign, Commonwealth and Development Office (FCDO) is required to offset any rise in in-donor refugee costs by reducing its own ODA expenditure. Furthermore, it is required to do so in the same year and must, therefore, engage in a complex forecasting and planning process in order to avoid overshooting the 0.5% ODA spending commitment.²⁰ The chancellor’s autumn statement in November 2022 introduced some flexibility for the first time, adding an extra £1 billion in 2022-23 and £1.5 billion in 2023-24 to the ODA budget. This raised the ODA spending commitment from 0.5% to around 0.55% of GNI for the two financial years, in response to the increased aid spending on refugees and asylum seekers.²¹

The UK’s position in the historical debate on reporting in-donor refugee costs

- 3.5 The Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC) has collected statistics on resource flows to developing countries since 1961 and introduced an agreed definition of ‘official development assistance’ (ODA) in 1969. In-donor refugee support was first included in the ODA definition in 1988. The rationale was that aid to refugees should count as ODA wherever it is provided. This was a controversial decision as the expenditure is within the donor country, and some donors, including the UK, chose initially not to use this reporting option.
- 3.6 In the 1990s, large-scale refugee movements led to an increasing share of ODA being categorised as in-donor refugee support. This led in the early 2000s to some DAC members, including the UK, Switzerland, Belgium and the US, voicing concern that aid funds were being diverted away from poverty reduction and humanitarian support in developing countries, undermining the credibility of ODA. Their view did not prevail, but the DAC Secretariat added ‘refugees in donor countries’ to the statistical annex of its development cooperation report, to make this category of expenditure more visible.
- 3.7 In 2010, the UK reported in-donor refugee costs for the first time, backdated to 2009. It has continued to report annually since then. According to UK officials, the decision to begin reporting in-donor refugee costs was to align UK aid statistics with international practice.

17 UNHCR: *Ukraine, other conflicts push forcibly displaced total over 100 million for first time*, UNHCR, 23 May 2022, [link](#).

18 *Ukraine emergency*, UNHCR, accessed 27 January 2023, [link](#).

19 Data for Poland and Czech Republic as of 29 January 2023, *Operational data portal: Ukraine refugee situation*, UNHCR, [link](#).

20 For an account of how the spending target is managed, see *Management of the 0.7% ODA spending target in 2020*, Independent Commission for Aid Impact, May 2021, [link](#).

21 Update added after publication: The suggestion that there would be an increase to 0.55% of GNI was made by the minister of state for development and Africa, Andrew Mitchell, to the International Development Committee on 6 December 2022. See: *International Development Committee: Oral evidence: Future of UK aid*, HC 148, International Development Committee, 6 December 2022, Q368 and Q399-401, [link](#).

3.8 During the Syrian refugee crisis in Europe in 2015-16, unprecedented levels of in-donor refugee costs were reported as ODA. Discrepancies emerged across donors as to which expenditures were included. To improve consistency, a new round of consultations culminated in DAC members endorsing five clarifications to the reporting directives. The aim was to provide a blueprint for reporting in-donor refugee costs and to ensure that ODA-eligible activities were restricted to emergency support for newly arrived asylum seekers and refugees, aligned with humanitarian principles (see **Table 2**).

Table 2: The five DAC clarifications on reporting in-donor refugee costs²²

	<p>1. The rationale:</p> <p>The rationale for counting in-donor refugee costs as ODA is that refugee protection is a legal obligation and providing assistance to refugees may be considered a form of humanitarian assistance.</p>
	<p>2. Eligible categories:</p> <p>Asylum seekers and recognised refugees, following international legal definitions, are the two eligible categories covered.</p>
	<p>3. Time limitation:</p> <p>The '12-month rule' means that only costs incurred in the first 12 months after arrival are eligible.</p>
	<p>4. Eligible cost:</p> <p>All kinds of temporary sustenance costs such as food, shelter and healthcare, and school for refugee children, are eligible, since these can be described as humanitarian in nature, but costs towards integration in the host country or any form of coercion, such as detention centres, are not.</p>
	<p>5. Methodology for assessing costs:</p> <p>There is a need to adopt a conservative approach and to exercise caution when reporting against this category, to avoid overestimates and to protect limited resources available for ODA and the integrity of the ODA concept.</p>

3.9 The DAC requested members to publish their methodology for calculating in-donor refugee costs in line with the five DAC clarifications, to increase transparency and consistency between reporting practices. The UK shared its methodology with the DAC Secretariat in 2019 and published it in 2021.²³ Not all donors have done so, notably including Germany. Two bilateral DAC donors (Australia and Luxembourg) have decided not to report any in-donor refugee costs as ODA at all (and so did not need to develop a methodology).

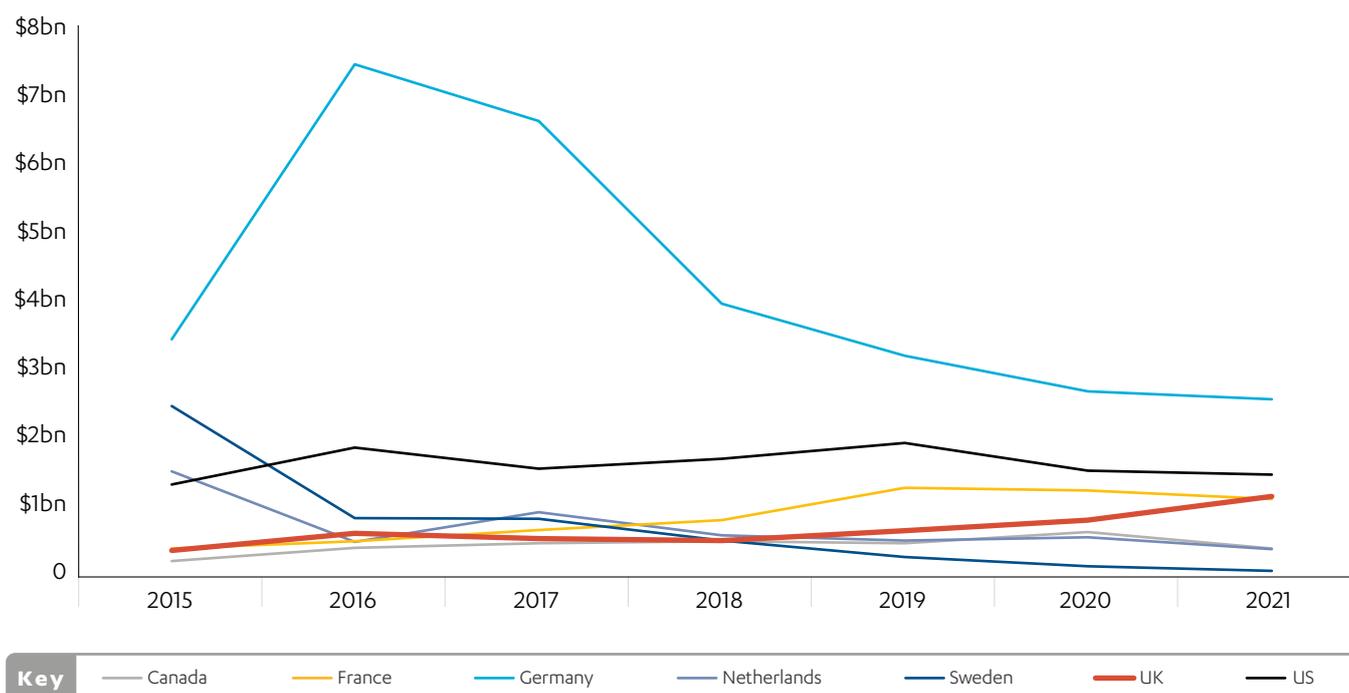
3.10 The DAC has asked members to provide disaggregated data on their spend and how much of the reported ODA pertains to administrative costs. In a 2022 report, the DAC Secretariat noted an issue with countries reporting lump sums for their refugee resettlement programmes without disaggregation. Only three DAC members (Austria, Italy and Sweden) track actual costs per individual refugee, allowing them to make accurate calculations of costs.²⁴ The rest, including the UK, have methodologies to estimate costs based on assumptions rather than actual measurement. **Figure 3** shows the trend in in-donor costs among a selection of donors, including the UK. Most donors stabilised or reduced their reported expenditure in this category after a peak around the 2015-16 refugee crisis in Europe.

²² The clarifications can be found on the OECD-DAC website, [link](#).

²³ *United Kingdom in-donor refugee costs in ODA*, Organisation for Economic Cooperation and Development, June 2021, [link](#).

²⁴ *Report on the implementation of the clarifications on ODA reporting of in-donor refugee costs*, DAC Working Party on Development Finance Statistics, Organisation for Economic Cooperation and Development, June 2022, [link](#).

Figure 3: Trajectory of in-donor refugee costs for a selection of donors, 2015-21



Source: OECD Query Wizard for International Development Statistics, Organisation for Economic Cooperation and Development, n.d., [link](#) (accessed January 2023).

How in-donor refugee costs are spent in the UK

3.11 Although the main spender is the Home Office, the UK's aid spending on in-donor refugee costs involves several departments. **Table 3** provides estimated total UK in-donor refugee costs for 2022, broken down by the main departments.²⁵ The estimates are based on the spending figures departments were working with up until the end of 2022 and early 2023. They are not the official statistics, which will come out in April 2023 after the spending data has been quality-assured. The figures may, therefore, change.

Table 3: Estimated total in-donor refugee costs per department in 2022

Department	Estimated spend in 2022
Home Office	£2,380 million
Department for Levelling Up, Housing and Communities	£520 million
Department for Work and Pensions	£170 million
Department for Education	£200 million
Department of Health and Social Care	£260 million
Total	£3,530 million

How the Home Office spends in-donor refugee costs

3.12 The government department with by far the largest expenditure on in-donor refugee costs is the Home Office. The Home Office estimated a spend of almost £2.4 billion of ODA on in-donor refugee costs

²⁵ We did not gather 2022 spending data from HMRC (which in 2021 spent a total of £3 million in ODA) or for health- and education-related spending through the devolved administrations that is reported to the DAC as in-donor refugee costs (in 2021 this was reported as 'other in-donor refugee costs' to the amount of £4 million). 2021 figures can be found in *Statistics on international development: Final UK aid spend 2021*, Foreign, Commonwealth and Development Office, Table 2, p. 19, [link](#).

in 2022 (based on data provided to ICAI in February 2023). The main ODA costs incurred by the Home Office are for asylum services, in particular: (i) seven regional Asylum Accommodation and Support Contracts (AASC) with private service providers; and (ii) the Advice, Issue Reporting and Eligibility (AIRE) contract, an asylum seeker information and helpline service contracted to a charity.

3.13 The second-largest in-donor refugee cost for the Home Office is the Afghan Citizens Resettlement Scheme (ACRS), for Afghans evacuated or fleeing after the Taliban took control of Afghanistan in August 2021. In addition, the Home Office incurs in-donor refugee costs for the UK Resettlement Scheme (UKRS), which resettles vulnerable refugees identified by UNHCR, and the Modern Slavery Victims Care Contract (MSVCC), contracted to a charity. Finally, ODA is spent on in-donor refugee costs for asylum accommodation and support services for unaccompanied asylum-seeking children. This is separate to the AASC contracts.

Table 4: The Home Office’s main ODA-funded refugee and asylum seeker services

Scheme/contract	Description and ODA eligibility (only in the first year)	Number of people
<p>Asylum seeker accommodation, support and advice services</p> <p>(2019 – 2029)</p> <p>Asylum Accommodation and Support Contracts (AASC)</p> <p>Advice, Issue Reporting and Eligibility (AIRE) contract</p>	<p>Provision of accommodation, support and information to asylum seekers who arrive in the UK and whose claim to asylum is in the process of being determined.</p> <p>AASC is divided into seven regional contracts operated by three contractors: Clearsprings Ready Homes, MEARS and Serco.</p> <p>AIRE is operated by the charity Migrant Help.</p> <p>Support to unaccompanied asylum-seeking children is ODA-eligible, but not provided through AASC and AIRE.</p>	<p>74,751 individuals (main applicants) claiming asylum in 2022.</p>
<p>Afghan Citizens Resettlement Scheme (ACRS)</p> <p>(January 2022 – present)</p>	<p>ACRS was launched to resettle up to 20,000 Afghans who assisted UK efforts in Afghanistan and stood up for democratic values and human rights, as well as vulnerable individuals at risk. ACRS has three pathways:</p> <ul style="list-style-type: none"> • Pathway 1 is for vulnerable and at-risk individuals who arrived in the UK under the evacuation programme in August 2021. • Pathway 2 is for vulnerable refugees referred by UNHCR. • Pathway 3 is for vulnerable groups and at-risk individuals such as GardaWorld and British Council contractors, and Chevening alumni. 	<p>6,292 people given indefinite leave to remain through Pathway 1.</p> <p>Four people have arrived under Pathway 2.</p> <p>No one has arrived under Pathway 3.</p>
<p>UK Resettlement Scheme (UKRS)</p> <p>(January 2021 – present)</p>	<p>The UKRS resettles vulnerable refugees identified by UNHCR and accepted by the UK. When launched, the scheme foresaw resettling up to 5,000 vulnerable refugees within the first year. No resettlement targets through the UKRS have since been set, and the number of arrivals is modest.</p>	<p>2,237 people since January 2021.</p>

- 3.14 The Home Office also runs a scheme for Afghans that is not funded by ODA. Before the creation of ACRS, the UK government launched the Afghan Relocations and Assistance Policy (ARAP) in April 2021 as part of the UK's preparation for withdrawal of troops from Afghanistan. The scheme, which is still open, is for Afghan citizens who worked for or with the UK government "in exposed or meaningful roles".²⁶ Eligibility is determined by the Ministry of Defence, after which relocation is handled by the Home Office. By early March 2023, indefinite leave to remain had been granted to 6,235 Afghan refugees through ARAP.
- 3.15 **Table 5** shows how the Home Office estimated (as of January 2023) that its 2022 expenditure of almost £2.4 billion was shared out among its different activities. The ODA expenditure was mainly incurred by the AASC contracts, with almost £1.9 billion of ODA spent on providing initial accommodation in the first 12 months after arrival for asylum seekers, with most of the costs accrued by hotel accommodation.

Table 5: The Home Office's in-donor refugee costs per activity or scheme, 2022²⁷

Home Office activity or scheme	Estimated ODA spend
Initial accommodation through Asylum Accommodation and Support Contracts (AASC), including hotels and other contingency accommodation	£1,860 million
Asylum seeker travel , such as when moving to new accommodation or to attend asylum interviews	£10 million
Support for unaccompanied asylum-seeking children	£130 million
Children's Panel , which advises and assists unaccompanied children through the asylum process	£2 million
Asylum support – providing dispersed accommodation and cash support to adults and families	£110 million
Afghan Citizens Resettlement Scheme (ACRS)	£180 million
Afghan Relocations and Assistance Programme (ARAP)	N/A – determined as not ODA
UK Resettlement Scheme (UKRS)	£8 million
Modern Slavery Victims Care Contract (MSVCC)	£12 million
Administration costs , such as staff costs for processing applications for asylum support, assessing accommodation needs and managing contractors' provision of accommodation	£17 million
Management and contracted services , the Advice, Issue Reporting and Eligibility contract (AIRE) and fees to AASC providers and cash card providers	£50 million
Total estimated spend	£2,380 million

How other government departments spend in-donor refugee costs

- 3.16 The largest ODA spender in this category after the Home Office is the Department for Levelling Up, Housing and Communities (DLUHC), which leads the Homes for Ukraine scheme, in collaboration with the Home Office. Most of this scheme is classified as ODA in the first 12 months.

²⁶ *Guidance: Afghan Relocations and Assistance Policy: further information on eligibility criteria, offer details and how to apply*, Ministry of Defence, 23 January 2023, [link](#).

²⁷ Estimated figures for the calendar year 2022 as of 18 January 2023, shared by the Home Office with ICAI on 16 February 2023.

- 3.17 **Homes for Ukraine:** In 2022, DLUHC spent ODA on in-donor refugee costs for the first time, as the lead department running the Homes for Ukraine scheme. In 2022, DLUHC spent a total of £520 million in aid to cover the following in-donor refugee costs:
- Grant payments to local authorities (known as tariffs) to provide ‘wrap-around’ support to Ukrainian arrivals: In 2022, local authorities were provided with £10,500 for each new arrival in their area under the Homes for Ukraine scheme, paid for the first year of a guest’s time in the UK.²⁸ Of this, 69%, or £7,245 per person, was reported as ODA. The government has asked local councils to prioritise their funding to ensure guests are housed within safe arrangements, can access work and education, and are supported into long-term sustainable housing. (Separate funding is also provided to local councils for children’s education and childcare services by the Department for Education). Due to wider pressures on public finances and to reflect the fact that some Ukrainian arrivals return to Ukraine, the government decided to reduce the council tariff to £5,900 per person for arrivals entering the UK from 1 January 2023. If ODA continues to be reported as 69% of this amount, this would be £4,071 per new arrival in 2023.
 - Thank-you payments for hosts: Sponsors are eligible for a monthly payment of £350 per household during the first 12 months of their guests’ stay as a thank-you for hosting, of which 100% is reported as ODA in the first year after arrival. The thank-you payments will be increased to £500 per month once the guest has been in the UK for 12 months. The higher payments should not be counted as ODA, due to the 12-month rule.
- 3.18 The Department for Education, the Department of Health and Social Care, and the Department for Work and Pensions spend considerable ODA funds on in-donor refugee costs, to cover education, healthcare and social security payments for refugees, including arrivals on the Afghan and Ukrainian schemes, and asylum seekers in the first year after arrival (see **Table 6**).
- 3.19 FCDO does not spend any ODA on in-donor refugee costs in the UK but is responsible for collating data from other departments and reporting the UK’s ODA spend on in-donor refugee costs to the OECD-DAC.

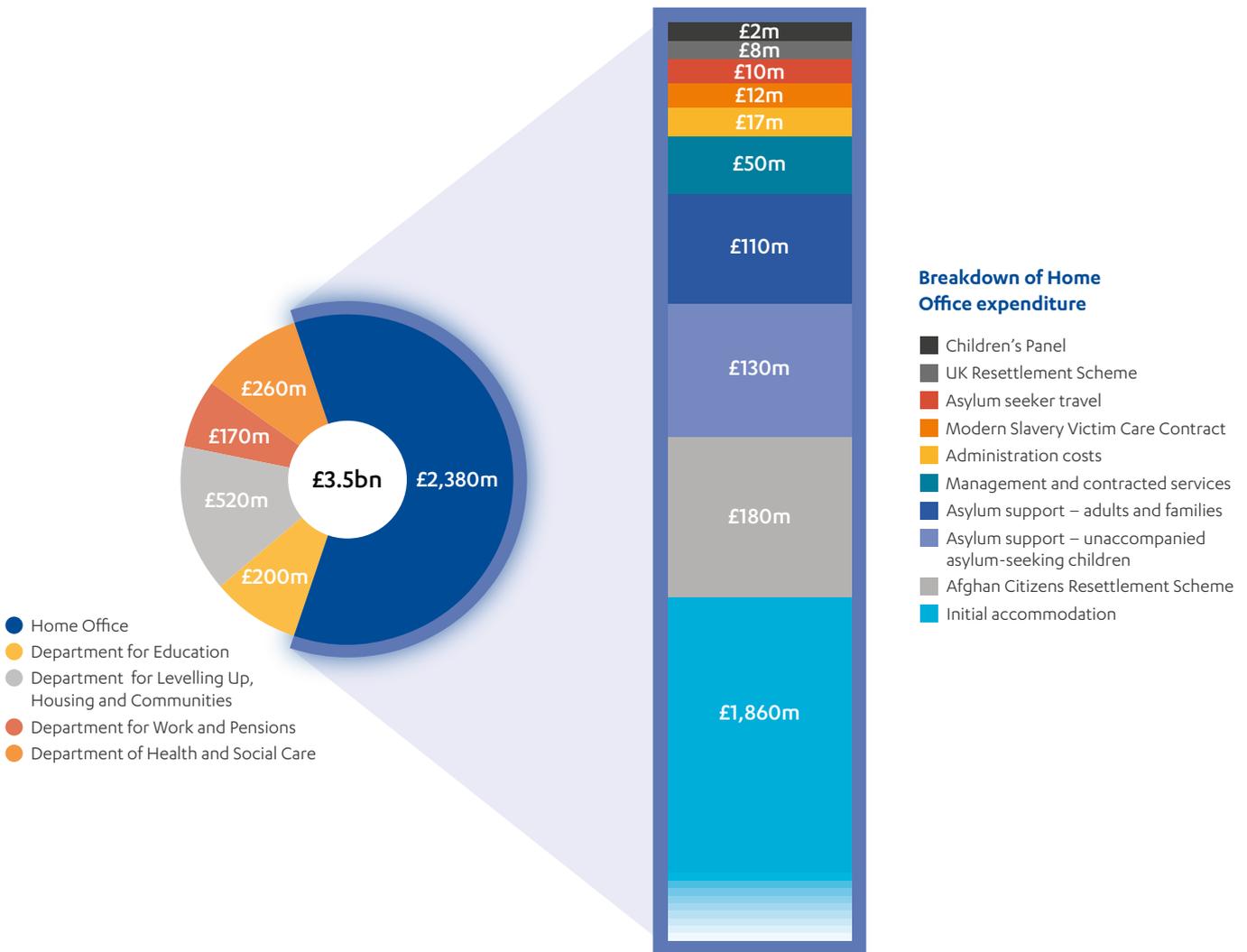
Table 6: In-donor refugee costs incurred by other government departments

Support type	Description of ODA costs	Responsible department
Homes for Ukraine scheme	Visa sponsorship scheme launched on 14 March 2022 to support Ukrainians, including hosting guests in private citizens’ homes. ODA is spent on a one-off payment per Ukrainian arrival to local authorities and on monthly thank-you payments to hosts (paid via local authorities).	Department for Levelling Up, Housing and Communities (lead) and Home Office
Education and schools	The cost to the school system of supporting asylum-seeking children (age 2-16) as well as children in the UK under the Afghanistan resettlement education grant, Homes for Ukraine scheme, Ukraine Families scheme and Ukraine Extension scheme. For the Homes for Ukraine scheme, children aged 2-18 are eligible.	Department for Education

28 For terms of the tariff grants see: *Homes for Ukraine scheme (2022-23) local authority tariff payment grant determination No. 31/6350 (England)*, Department for Levelling Up, Housing and Communities, 23 November 2022, [link](#).

Healthcare costs	The costs to the National Health Service of providing healthcare to asylum seekers as well as for Afghan arrivals under ACRS and Ukrainian arrivals under the three visa schemes: Homes for Ukraine, Ukraine Family scheme and Ukraine Extension scheme. Costs are estimated using healthcare unit costs or fixed tariffs, instead of counting actual health costs.	Department of Health and Social Care
Social security payments	Payments covering temporary subsistence, income benefits and disability benefits are charged to the ODA budget for Afghans under ACRS (all pathways), as well as for Ukrainians under all three visa schemes. Eligible costs include: Attendance Allowance, Disability Living Allowance (child), Pension Credit, Personal Independence Payment, Universal Credit.	Department for Work and Pensions

Figure 4: Overview of estimated UK aid spending on in-donor refugee costs, per department, including more detail on Home Office costs disaggregated by activities and schemes*



*All cost estimates are based on departmental estimates of their ODA spending provided to ICAI in the period from December 2022 to February 2023.

4. Main findings

- 4.1 The findings from the review are organised in two parts. Part one assesses the impact of in-donor refugee costs on the coherence and relevance of the UK aid programme, while Part two examines the quality and value for money of the services for refugees and asylum seekers funded with aid. The criteria for assessing the value for money of aid spending is usually described as ‘four Es’: effectiveness, efficiency, economy and equity.²⁹ For an activity to achieve value for money across these four criteria, its objectives need to be SMART: specific, measurable, achievable, realistic and time-limited.³⁰

Part one: The impact of in-donor refugee support costs on the UK aid programme

Soaring in-donor refugee costs have had a severely negative impact across the UK aid programme

- 4.2 Soaring in-donor refugee costs in 2022 forced the Foreign, Commonwealth and Development Office (FCDO) to announce a spending pause on all its ‘non-essential’ official development assistance (ODA) spending in July 2022. This happened despite ODA spent on in-donor refugee costs not contributing to any of the priorities set out in the UK government’s *International development strategy*, published in May 2022.³¹ The pause lasted until November 2022. During that time, FCDO was unable to make scheduled payments on existing aid programmes, or any new commitments. It was also unable to engage in any forward planning for the financial year 2022-23, as confirmed by Philip Barton, permanent under-secretary at FCDO, to the International Development Committee (IDC) in October 2022.³² FCDO developed criteria for making exceptions to the spending pause for activities vital to protect against immediate threat to life and wellbeing, or which prevented people falling into humanitarian need, or prevented delays to accessing healthcare, primary education, sanitation and clean water. However, the scale of the savings that had to be made by FCDO were so large that these criteria were impossible to meet in full.
- 4.3 The pause was caused not just by rising in-donor refugee costs, but by their unpredictability. The Home Office was unable, until almost the end of 2022, to predict with any certainty how much of that year’s ODA budget it would spend on refugees and asylum seekers. This made “forward financial planning incredibly difficult”, in the words of Philip Barton, permanent under-secretary at FCDO.³³ The minister of state for development and Africa, Andrew Mitchell, noted as late as December 2022: “[t]he reality is that I do not know what the full extent of the Home Office demands [on the UK aid budget] will be [...] in the end, this is an open-ended cost and we do not know.”³⁴
- 4.4 As ODA spender and saver of last resort, FCDO is tasked with ensuring that the UK government hits its ODA spending target to a high degree of precision within each calendar year, adjusting its own expenditure plans over the course of the year in response to changes in the ODA spending and forecasts from other departments. As we have found in other reviews, the system functions effectively enough in years where both ODA expenditure and the UK’s gross national income (GNI) are relatively predictable. FCDO manages the target by using a range of programme and financial management tools, including shifting certain payments (typically contributions to multilateral organisations) between calendar years.
- 4.5 However, the rise in in-donor refugee costs has occurred against the backdrop of successive reductions in the UK aid budget. These resulted first from the impact of the COVID-19 pandemic on the UK’s GNI, and then from the UK government’s decision to reduce the aid spending target from 0.7% to a

29 For more on the criteria for value for money in aid spending, see *DFID’s approach to value for money in programme and portfolio management*, Independent Commission for Aid Impact, February 2018, p. 11, [link](#).

30 For more on the SMART objectives, see *The Green Book (2022)*, HM Treasury, chapter 4.2, [link](#). The Green Book provides guidelines to government departments on how to appraise policies, programmes and projects.

31 *The UK government’s strategy for international development*, Foreign, Commonwealth and Development Office, May 2022, [link](#).

32 Oral evidence: *Foreign, Commonwealth and Development Office’s annual report and accounts, HC 765*, International Development Committee, 18 October 2022, Q22, [link](#).

33 *International Development Committee: Oral evidence: Foreign, Commonwealth and Development Office’s annual report and accounts, HC 765*, International Development Committee, 18 October 2022, Q22, [link](#).

34 *International Development Committee: Oral evidence: Future of UK aid, HC 148*, International Development Committee, 6 December 2022, Q396, [link](#).

commitment to spend 0.5% of GNI.³⁵ As a result, the UK aid budget fell to £11.4 billion in 2021, from a peak of £15.2 billion in 2019. In-donor refugee costs are, therefore, absorbing a larger share of a shrinking aid programme. Having already reduced its bilateral aid budget the previous year by 53%, compared to its spending in 2020,³⁶ FCDO lacked options to find further reductions in 2022 without causing harm to its development partnerships and to the people relying on the services provided through UK aid.

- 4.6 Faced with the prospect of drastic and damaging reductions to the UK aid programme, in the 2022 autumn statement, the chancellor temporarily raised the ODA spending limit by £2.5 billion over a two-year period, amounting to an increase in the ODA budget from 0.5% to around 0.55% of GNI for this period.³⁷ HM Treasury confirmed to ICAI that these funds will create more capacity within the ODA commitment for FCDO spending, with £1 billion extra for the financial year 2022-23 and a further £1.5 billion for 2023-24.
- 4.7 This adjustment only partly mitigates the disruption facing the UK aid programme, as it came too late to undo the effects of the spending pause and will be insufficient to offset the likely scale of in-donor refugee costs. While FCDO has not published its budget allocations, the minister of state for development and Africa, Andrew Mitchell, indicated to the IDC in December 2022 that there were likely to be 30% budget reductions to bilateral programmes across the board.

“ Let us not beat about the bush – we are not a development superpower at the moment. That is bemoaned around the world by our many friends and people who look to Britain for leadership on international development. ”

Minister of state for development and Africa, Andrew Mitchell, 6 December 2022³⁸

- 4.8 There was widespread agreement across the FCDO staff we interviewed that the disruption to aid programmes, coming on top of two successive years of budget reductions, has damaged the UK's reputation as a donor and development partner. One example of the damage could be seen during the seventh replenishment drive for the Global Fund to Fight AIDS, Tuberculosis and Malaria. Having previously been the second-largest donor after the US to the Global Fund, the UK failed to make a pledge at the seventh replenishment conference in September 2022. When the spending pause was lifted, the UK finally pledged £1 billion for the seventh replenishment. This made the UK the Fund's fourth-largest donor, with its contribution down from the £1.4 billion pledged at the sixth replenishment in 2019 and less than requested by the Fund.³⁹

The rise in in-donor refugee costs has sharply reduced the UK's ability to respond to humanitarian crises

- 4.9 Rising in-donor refugee costs have led to dramatic reductions in the UK's bilateral humanitarian aid, at a time of large-scale global displacement crises and humanitarian emergencies. UK commitments to support global relief and recovery efforts in 2022 have been significantly smaller and pledged later than in previous years.
- 4.10 This trend started in 2021, a year when the overall ODA budget was reduced to 0.5% of GNI. In that year, in-donor refugee costs continued to rise sharply in absolute terms and doubled as a proportion of total UK aid, while bilateral aid for humanitarian assistance fell by more than half, from £1,531 million in 2020

35 ICAI's analysis of FCDO's management of these budget reductions can be found in *Management of the 0.7% ODA spending target in 2020*, Independent Commission for Aid Impact, May 2021, [link](#).

36 *Managing reductions in official development assistance spending: Foreign, Commonwealth and Development Office*, National Audit Office, Report HC 1146, 31 March 2022, p. 4, [link](#).

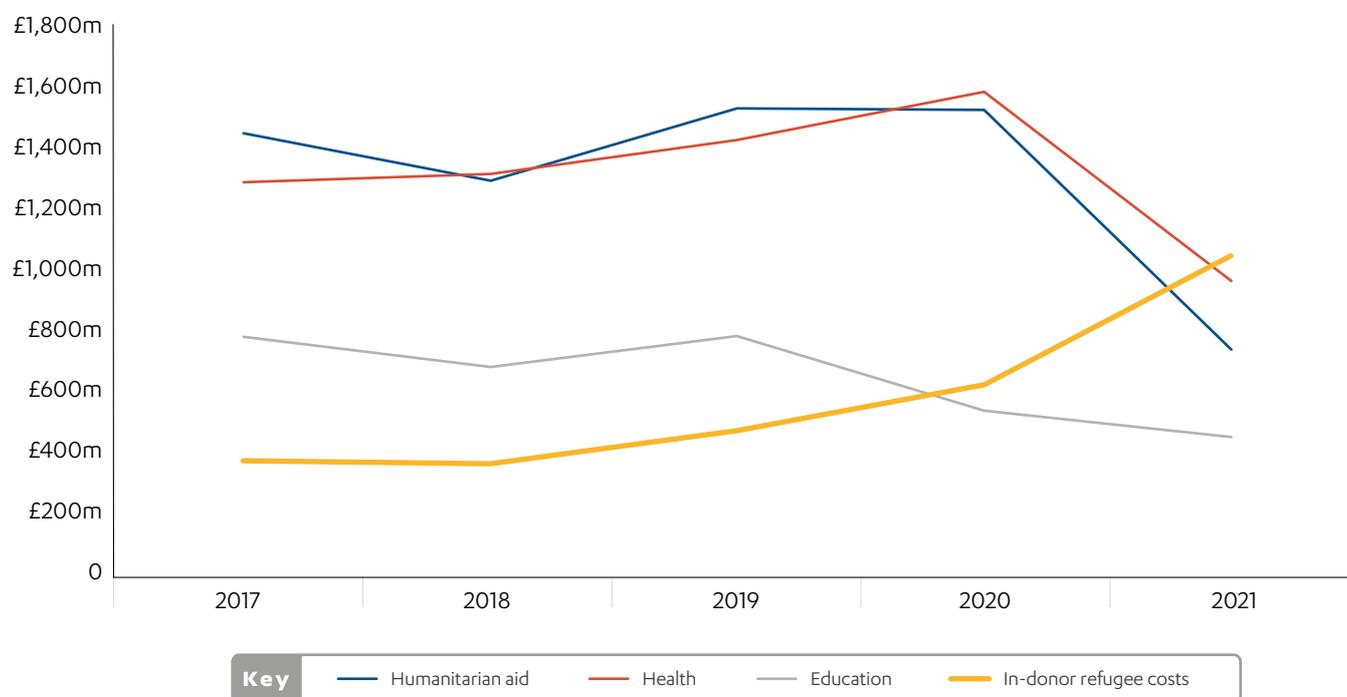
37 Update added after publication: The suggestion that there would be an increase to 0.55% of GNI was made by the minister of state for development and Africa, Andrew Mitchell, to the International Development Committee on 6 December 2022. See: *International Development Committee: Oral evidence: Future of UK aid*, HC 148, International Development Committee, 6 December 2022, Q368 and Q399-401, [link](#).

38 Statement given in evidence to the IDC. *Oral evidence: Future of UK aid*, HC 148, International Development Committee, 6 December 2022, [link](#).

39 *Information note: The UK's work with the Global Fund*, Independent Commission for Aid Impact, 20 September 2022, [link](#); and *Oral evidence: Future of UK aid*, HC 148, International Development Committee, 6 December 2022, [link](#).

to £743 million in 2021. **Figure 5** shows how bilateral spending in areas prioritised in the *UK International development strategy* dropped from 2020 to 2021, with humanitarian spending particularly affected. While final figures for 2022 are not yet available, it is clear that humanitarian spending will continue on a downward trajectory.

Figure 5: Trends in absolute bilateral spend in key priority areas: humanitarian, global health and education, compared with in-donor refugee costs, 2017-21



Sources: *Statistics on international development*, various years, Foreign, Commonwealth and Development Office: Aid spend 2021, [link](#); Aid spend 2020, [link](#); Aid spend 2019, [link](#); Aid spend 2018, [link](#); and Aid spend 2017, [link](#). All accessed January 2023.

- 4.11 One example of the impact of the spending pause and reduction of the UK’s bilateral humanitarian budget was the UK response to the devastating floods in Pakistan in August 2022 (said to be the worst in the country’s history, leaving 33 million people in need of assistance). The UK government received strong domestic criticism for initially pledging just £1.5 million to the international response. By the end of January 2023, it had pledged a total of £36 million to the response and recovery efforts. This compares to pledges of €360 million (£316 million) from France and €84 million (£74 million) from Germany.⁴⁰
- 4.12 Another example is the drought and food insecurity crisis in the Horn of Africa, affecting Ethiopia, Kenya and, in particular, Somalia, which is expected to lead to widespread famine in 2023. The UK allocated £156 million in humanitarian aid to the region in the financial year 2022-23, down from £221 million in 2021-22. This is significantly lower than the UK’s £861 million contribution during the 2017 drought in East Africa and the Horn of Africa.⁴¹ The then minister of state for development, Vicky Ford, announced to the UN General Assembly in September 2022 that the UK was playing a leading role in the international response to the crisis.⁴² However, experts we consulted for this review noted that, while the UK had in fact played a leading role during the 2017 crisis, no such effort was apparent this time. In a statement to the IDC, the minister of state for development and Africa, Andrew Mitchell, confirmed that the UK’s humanitarian spending in response to drought in Somalia announced in November 2022 could not have been announced before the spending pause was lifted.⁴³

40 *Donors pledge over \$9 billion for Pakistan after catastrophic floods*, Le Monde with AFP, 9 January 2023, accessed 30 January 2023, [link](#).

41 This was the contribution during the 2017-18 financial year. *Horn of Africa: projections of a famine in 2023*, House of Lords Library, 18 January 2023, [link](#).

42 *UK announces new support for people facing famine in Horn of Africa*, Press Release, Foreign, Commonwealth and Development Office, 21 September 2022, [link](#).

43 *Oral evidence: Future of UK aid*, HC 148, International Development Committee, 6 December 2022, [link](#).

In-donor refugee costs at this scale are a highly inefficient response to global crises

- 4.13 According to the Organisation for Economic Cooperation and Development’s Development Assistance Committee (OECD-DAC), the rationale for treating support for refugees and asylum seekers as ODA is that it amounts to a form of humanitarian aid. However, this rationale becomes problematic when in-donor refugee costs rise to such a level that they displace other humanitarian expenditure. This situation has introduced major inefficiencies and inequities into the UK’s response to global humanitarian crises.
- 4.14 In-donor refugee support is an extremely expensive form of ODA, as compared to supporting crisis-affected people in their place of origin or displaced within their own region. This is particularly the case in the last two years, when an acute shortage of accommodation for refugees and asylum seekers in the UK has caused unit costs to rise dramatically. Part two of this section sets out our concerns around the value for money of this expenditure.
- 4.15 By shifting aid resources at this scale towards covering the costs of supporting refugees and asylum seekers in the UK, the UK is able to help far fewer crisis-affected people overall. Given the automatic way in which the UK calculates in-donor refugee costs as ODA, when this form of humanitarian spending becomes as large as it did in 2022, the UK government’s ability to make active policy decisions about how to allocate humanitarian funds to reach those in the greatest need is heavily curtailed. This is contrary to basic humanitarian principles which hold that humanitarian action should be carried out based on need, giving priority to the most urgent needs.⁴⁴
- 4.16 Providing access to protection in the UK for refugees is an important international obligation, as is providing support to ease the pressures on regional states hosting large numbers of refugees – both are key principles of the Global Compact on Refugees, to which the UK has committed.⁴⁵ However, the imbalance in 2021 and 2022 between the UK’s spending on in-donor refugee costs and its humanitarian spending in developing countries undermines its ability to pursue its well-established aid policy of supporting states hosting large numbers of refugees and displaced persons in their regions. In recent years, the UK government has championed ‘refugee compacts’ with refugee-hosting countries, such as Jordan, Lebanon and Ethiopia. Under these compacts, the UK and other donors provide funding to support both refugees and host communities and to create jobs, while the host country provides refugees with increased access to basic services and the labour market. The objective is to create better living conditions for refugees and host communities and reduce the risk of ‘secondary displacement’, particularly to the EU.

The UK’s management of in-donor refugee costs creates little incentive for departments spending this aid to control their expenditure

- 4.17 During our interviews, we found that most staff involved in the delivery of in-donor refugee support did not know that the resources came from the UK aid programme. In the Home Office and the Department for Levelling Up, Housing and Communities (DLUHC), it was only staff involved in preparing ODA calculations who knew, not the operational teams providing ODA-funded services. Those who did know saw ODA eligibility as a mere accounting category.
- 4.18 The Home Office’s ODA spending on accommodation and basic sustenance for asylum seekers is a statutory obligation and not subject to any budget restrictions. The Home Office is not required to factor in the impact of its ODA expenditure on the rest of the aid programme or on people expected to benefit from UK aid in developing countries, as the resulting adjustments are done by FCDO as spender and saver of last resort. Many stakeholders interviewed noted the risk of perverse incentives, with one expert describing it as a ‘blank cheque’ for the Home Office.
- 4.19 In interviews Home Office officials insisted that value for money was constantly on their mind when managing their budget, whether or not it is classed as ODA. They noted that the sharp rise of costs was linked to an accommodation crisis that had forced them to house refugees in hotels, with high costs in both human and financial terms. We acknowledge that the Home Office has made considerable efforts

44 *What are humanitarian principles?* United Nations Office for the Coordination of Humanitarian Affairs, July 2022, [link](#).

45 *The Global Compact on Refugees*, United Nations High Commissioner for Refugees, [link](#).

to find acceptable accommodation in difficult conditions. The alternative might be homeless asylum seekers, of which there are reported to be at least 70,000 in France.⁴⁶

- 4.20 Nonetheless, we are concerned that the lack of limitation on how much of the UK's aid budget can be spent by the Home Office as in-donor refugee costs militates against long-term planning to reduce costs. The Home Office does not need to finance much of its extensive use of very expensive contingency accommodation by making cuts elsewhere in its own budget, although it does have to negotiate with HM Treasury to go above its initial ODA allocation for the year. There is also less incentive from a financial perspective for the Home Office to reduce the backlog and long processing time for asylum applications since much of the resulting cost is borne by the aid budget.

Cross-government oversight and cooperation to manage in-donor refugee costs are not transparent, and are inadequate for protecting the integrity of the UK aid budget

- 4.21 **Cross-government reporting on spend:** There is a system for other government departments to report their ODA spend and forecasts to FCDO, which is tasked with compiling and reporting the UK's aid expenditure. However, due to the considerable uncertainties in forecasting the level of refugee and asylum seeker arrivals and the cost of their support, the quarterly reporting to FCDO does not help them predict the budget for their own aid programme with any certainty.
- 4.22 **Determination of ODA eligibility:** This is the responsibility of the accounting officer in the government department that spends ODA. FCDO corresponds on behalf of the UK government with the DAC Secretariat to confirm eligibility. There was no cross-government deliberation on whether and how to include a particular cost as ODA, such as the £350 per month welcome payments to UK hosts of Ukrainians arriving on temporary sponsorship visas, or on the decision to define one Afghan visa scheme, Afghan Citizens Resettlement Scheme (ACRS), as ODA and not the other, Afghan Relocations and Assistance Policy (ARAP). There does not seem to have been a principled cross-government discussion of the implication for in-donor refugee cost rules of determining Afghan and Ukrainian visa schemes (rather than refugee protection schemes) as eligible for spending within this ODA category. Finally, the lack of a cross-government mechanism for determining eligibility also means that there was no formal cross-government forum in which to consider the impacts of rising in-donor refugee costs on the objectives of the *UK International development strategy* and the integrity of FCDO's aid programme. The new cross-government ODA Board announced in February 2023 is, therefore, a highly welcome addition. The board is tasked with looking at costs and value for money across the UK ODA budget and is co-chaired by the chief secretary of HM Treasury and the minister of state for development and Africa. It remains, however, to be seen how successful the board will be in protecting the integrity and coherence of the UK aid budget.

The UK's method for calculating in-donor refugee costs seems to be within the rules but does not follow the OECD-DAC guidelines on a conservative approach

- 4.23 The UK reports to OECD-DAC in a timely way and with a reasonable level of detail. It is among the better of the DAC donors on the quality of its reporting, in a setting where the general standard of reporting is low. In 2019, after the DAC updated its guidance, the UK published a detailed methodology on how it adheres to the DAC's five clarifications to calculate its in-donor refugee costs (see **Table 2** in **Section 3** of this review on the clarifications). The methodology was discussed with the DAC Secretariat before being published on the OECD website in February 2021.⁴⁷ It describes which services for refugees and asylum seekers are deemed ODA-eligible, and how the costs for each are calculated. The costing methodology is complex, using modelling to derive unit costs, with various assumptions and estimates.⁴⁸
- 4.24 The UK's reporting methodology appears to meet the DAC rules. The UK also consults with the DAC from time to time on whether schemes or expenditure categories are eligible. HM Treasury, the Home Office

46 *France: Country report: Types of accommodation*, Asylum Information Database, European Council on Refugees and Exiles, 2022, [link](#), accessed 29 January 2023.

47 For the UK's methodology, see: *United Kingdom in-donor refugee costs in ODA*, Organisation for Economic Cooperation and Development, June 2021, [link](#).

48 One example of the complex calculations using unit costs in the published UK methodology is the explanation of how costs for the National Health Service are calculated by using "the asylum seeker age profile to apply a specific age-related head costs to different age groups. This is then summed and used to calculate an average per head". See: *United Kingdom in-donor refugee costs in ODA*, Organisation for Economic Cooperation and Development, June 2021, [link](#).

and FCDO agree that the methodology allows for an objective determination of whether a particular cost category is ODA-eligible and argue that if a cost meets all the eligibility criteria it must be reported as ODA in its entirety. There has therefore been no adjustment of the UK's ODA reporting practice in response to the spike in in-donor refugee costs.

- 4.25 We find, however, that there are other DAC members which have taken a more conservative approach to reporting,⁴⁹ while two DAC donor states, Australia and Luxembourg, do not count any refugee or asylum support costs as ODA at all. Belgium does not include support costs for asylum seekers whose application for refugee status ultimately fails, and its methodology only takes into account the number of people granted refugee status. Iceland does not include costs for asylum seekers arriving from safe countries in cases where close to 100% of applicants from that country are rejected. France does not include education for refugee and asylum-seeking children in its in-donor refugee costs and only began to include healthcare costs in 2019. Belgium only includes marginal costs such as textbooks and school supplies when counting ODA-eligible education costs.
- 4.26 Furthermore, the UK's extensive use of modelling and unit pricing to calculate costs increases the risk of higher levels of reporting. Only three donors, Austria, Italy and Sweden, report only actual, measurable costs and keep data bases to track ODA expenditure at the level of individual refugees and asylum seekers,⁵⁰ while the DAC clarifications ask all donors to report actual expenditure as far as possible and the DAC offers support to help states achieve this.⁵¹ Modelling and unit pricing may lead to over-reporting. For instance, DLUHC pays tariff grants to local authorities as part of the Homes for Ukraine scheme. In 2022, the tariff grant was £10,500 per Ukrainian who settled in the local authority area, of which 69% would be charged to the ODA budget. The guidelines provided to local authorities on how the tariff grant should be spent include a range of humanitarian (ODA-eligible) and integration (non-ODA-eligible) aims, without specifying how much of the funding should be spent in different categories. Local authorities can roll unspent funds from tariff grants provided in 2022-23 over into 2023-24.⁵² If the UK tracked expenditure at the level of individual refugees, then it would be able to work out how much of the actual local council expenditure is ODA-eligible. But due to the use of modelling based on unit costs, and assumptions of how local authorities will spend the funding, we cannot confirm that DLUHC can ensure that no more than 69% of the funds are spent on ODA-eligible activities, or that the 12-month rule for spending of in-donor refugee costs is always followed.
- 4.27 Other OECD-DAC donors, when faced with growing in-donor refugee costs, have adjusted their approach. Iceland, after in-donor refugee costs reached 32% of total ODA expenditure in 2017, conducted a comprehensive review of its methodology, reviewing costs and checking eligibility for all budget lines. Some costs were reduced while others were taken out. As a result, in-donor refugee costs were reduced to 13% in 2019. Iceland continues to revise its methodology, with the aim of increasingly reporting real costs instead of estimates. The 2021 DAC peer review of Iceland's approach recommended improving monitoring and evaluation of in-donor refugee costs, and transparent and detailed reporting in this category.⁵³ The Swedish government, which saw its in-donor refugee costs rising significantly in 2022, decided in its budget statement for 2023-24 that in-donor refugee costs should be limited to no more than 8% of its total aid budget.⁵⁴

49 The information in this paragraph is from DAC donors' published in-donor refugee cost methodologies, found on the OECD website, [link](#).

50 *Report on the implementation of the clarifications on ODA reporting of in-donor refugee costs*, DAC Working Party on Development Finance Statistics, Organisation for Economic Cooperation and Development, June 2022, [link](#).

51 *Clarifications to the statistical reporting directives on in-donor refugee costs*, DCD/DAC(2017)35/FINAL, Development Assistance Committee of the Organisation for Economic Cooperation and Development, 31 October 2017, p. 9 and p. 10, [link](#).

52 *Guidance: Role of sponsors, voluntary and community sector, councils, and where to focus tariff funding: Homes for Ukraine*, Department for Levelling Up, Housing and Communities, [link](#), accessed 6 February 2023.

53 *Peer review on development finance statistics: Iceland*, DCD/DAC/STAT(2021)24, Organisation for Economic Cooperation and Development, [link](#).

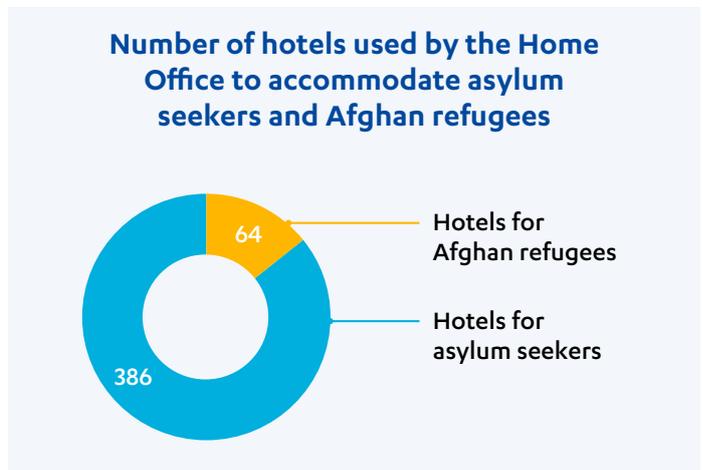
54 *Avräkningar från biståndet för migrationskostnader i Sverige: Vad vet vi? [Settlements from development assistance for migration costs in Sweden: What do we know?]*, Pettersson, J. et al., EBA, December 2022, [link](#).

Part two: The quality and value for money of in-donor refugee costs spending

The UK's asylum and refugee accommodation crisis has gathered pace since 2020, but the Home Office's response has not gone beyond short-term fixes

4.28 The Home Office has been operating in crisis mode for an extended period, reacting to day-to-day challenges of finding accommodation for asylum seekers and refugees but not allocating the planning efforts and resources necessary to exit the cycle of emergency fixes and spiralling costs. In October 2022 the Home Office told us it used around 200 hotels for asylum seeker accommodation and 64 hotels for Afghan refugees at a total cost of £6.8 million every day. By 14 March 2023 the Home Office told us the number of hotels used for asylum seekers had increased to 386.⁵⁵ According to Home Office figures provided to ICAI in March 2023, the average cost of hotel use per person per night is £120 (including catering and other services), compared to £18 for 'dispersed accommodation' in houses or flats. The Home Office originally provided ICAI with a higher figure for hotel costs per person per night. The department now has in place a cost tracker to record and compare hotel costs across providers, but we were not able to verify when this was introduced.

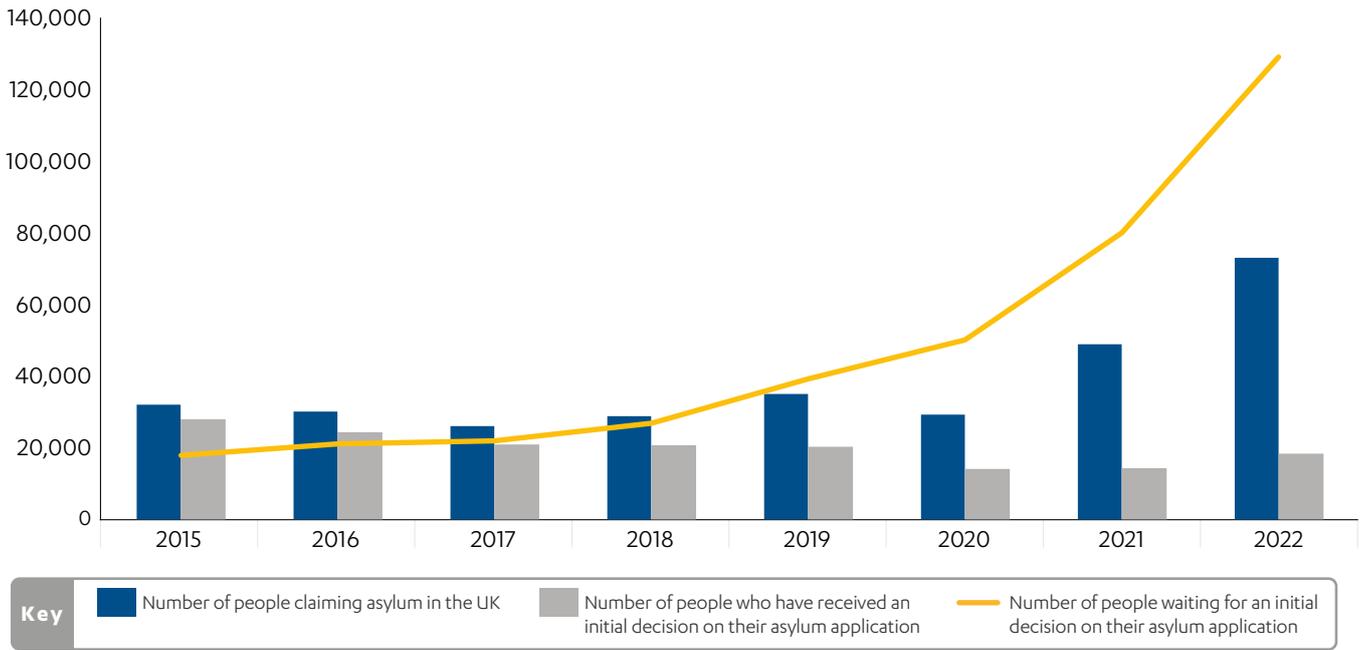
- 4.29 The Home Office only began planning for a longer-term solution towards the end of 2022, but it was too early for ICAI to assess the adequacy and appropriateness of those plans. A sense of short-termism and 'crisis as usual' pervaded much of the feedback we received from experts, local authorities, civil society and within the Home Office itself.
- 4.30 Several issues have come together to cause the accommodation crisis. Foremost among these, a large and growing backlog in processing asylum claims has increased the pressure on limited accommodation, with many more asylum seekers entering than leaving Home Office-provided accommodation.
- 4.31 Data on asylum decisions show how the asylum backlog has contributed to soaring in-donor refugee costs. According to Home Office statistics, in 2022 there were 132,182 asylum applications awaiting initial decision (main applicants only), of which 88,929 had waited for more than six months – and most for much longer than that.⁵⁶ The failure to provide timely asylum decisions means that most asylum seekers remain dependent on Home Office-provided accommodation for the full 12 months of the ODA-eligible period.



⁵⁵ The number of hotels in use at any moment in time varies, and the Home Office has found it difficult to give a firm number, although most interviewees in the period October-November 2022 mentioned around 200 asylum hotels. In an oral evidence session to the IDC in February 2023, the minister for immigration, Robert Jenrick, gave the much larger figure of almost 400 hotels across the UK. See: *Oral evidence: aid spending in the UK, HC898*, International Development Committee, 8 February 2023, Q152, [link](#). The Home Office stated in a written response to ICAI that, according to the data from its Asylum Support Data Hub, it used 386 hotels for asylum seekers as of 14 March 2023 (down from 388 at the end of February 2023).

⁵⁶ The figures are for main applicants, not their dependants. For the Home Office's official asylum statistics for 2022, please see *Asylum and resettlement datasets*, Home Office, 23 February 2023, [link](#).

Figure 6: Size of the asylum backlog, 2015-22*



* Data are for main applicants and do not include dependents. Cases waiting for an initial decision are asylum applications lodged since 1 April 2006 which are still under consideration.

Source: *Asylum applications awaiting decisions dataset, December 2022*, accessed from *Asylum and resettlement datasets*, Home Office, February 2023, [link](#) (accessed March 2023).

4.32 While a review of asylum processing is outside ICAI’s remit, the growing backlog is having a significant negative impact on the UK aid programme as a whole (see **Part one** of this section of the review). Furthermore, there was widespread agreement among the experts, Home Office officials and service providers interviewed for this review that, without addressing the backlog, plans to put an end to the use of expensive hotel accommodation will not succeed. The causes of the backlog are well documented. For instance, in the 2021 Independent Chief Inspector of Borders and Immigration (ICIBI) report on asylum casework, which offered a range of urgent recommendations, many of them were repeated from an earlier report, from 2017.

“ The whole system needs a review, in its entirety. We just look at today, with no longer-term consideration. It’s because no one knows it’s costing this much. No money freed up to move on [from temporary accommodation]. We don’t break the cycle. People are getting in [to the asylum accommodation system] one end, but not getting out at the other. ”

Local authority representative, in an area hosting many asylum seekers and refugees

4.33 There is a UK-wide shortage of affordable housing, which has made it more difficult for the Home Office to find alternatives to hotels. However, we found that there has been little innovation in the department’s approach to the private market to fill the gap. We heard, for instance, from one private accommodation provider that they would like to invest in properties for use as dispersed housing for asylum seekers which, after a period of time, could be transferred to local authorities for their housing needs. Instead, the Home Office seems to have relied on contractors to address the accommodation shortage through short-term agreements with hotels. The Home Office told us that it has assessed different options such as using student accommodation blocks and holiday camps, and that it issued a ‘prior identification notice’ to the market in 2021 to invite discussion on new approaches, with a dedicated email address for suggestions. However, we have not yet been able to see results from this.

- 4.34 Another key factor in the escalating cost of asylum accommodation and support is the level of destitution among asylum seekers, which has increased significantly since 2020. Before the COVID-19 pandemic, many asylum seekers were already in the country when making their claim, and roughly half were not destitute and, therefore, did not receive asylum accommodation and support services. Among asylum seekers arriving in small boats, and in other irregular ways, there is a much higher percentage of people who are destitute. According to one Home Office official, there were times in 2022 when more than 90% of new asylum seekers were destitute and claiming support.
- 4.35 The crisis is not unprecedented and can be overcome. The Home Office has previously been able to reduce considerable asylum backlogs in relatively short periods of time. In 2007 the Case Resolution Directorate was established to address a backlog of nearly 450,000 asylum cases. The directorate took measures to increase the number of dedicated staff to manage the processing of decisions, as well as boosting efficiency through digital case handling.

The Home Office is not effectively tracking value for money achieved from its commercial suppliers

- 4.36 Other independent oversight bodies have raised concerns about whether the large asylum accommodation and support contracts (AASC) are providing value for money.⁵⁷ We reviewed contract and procurement documents provided by the Home Office for the seven regional AASC contracts and the nationwide Advice, Issue Reporting and Eligibility (AIRE) contract.
- 4.37 The Home Office was unable to respond to our request for detailed financial information on the performance of suppliers under the accommodation contracts. In interviews, key officials within the department confirmed that they also had no access to relevant financial data. In the absence of detailed financial information:
- The Home Office's operational team is unable to ascertain if value for money was achieved on the contracts as part of the contract management regime.
 - Resource gaps in the commercial team have meant that the team did not regularly compare delivery costs across its contracts to identify underperforming suppliers or opportunities for price savings. Nor was it able to establish baselines to track efficiency gains over time. ICAI was told in March 2023 that the commercial team has now started to do this, and that it is increasing the capacity and capabilities of its commercial contract management team. It is too early for ICAI to assess the impact of these changes. The Home Office also told us that it has started a lessons-learned exercise to inform the re-procurement of subsequent contracts.
 - Data provided to the Home Office from suppliers appear obfuscatory. Interview feedback to ICAI confirmed that over 20,000 lines of data are provided by the service provider to the Home Office on a monthly basis. This volume of information makes it very difficult to identify relevant performance measures.
- 4.38 The key performance indicator (KPI) regime is assessed each month and deductions made where KPIs have not objectively been met. However, as discussed below (**paragraph 4.42**), the KPIs being measured are not appropriate to ensure that the right outcomes are being reached and, thus, that value for money is achieved. Without clear and appropriate performance data and baselines, the Home Office's ability to manage its suppliers in such a way as to encourage continuous improvement is limited.

Key performance indicators for commercial suppliers are outdated

- 4.39 The Home Office uses KPIs to measure supplier performance over the course of ten-year contracts. The KPIs for the AASC and AIRE contracts were set more than four years ago and have not been updated, despite major changes in circumstances caused by COVID-19 lockdown measures and the spiralling

⁵⁷ Home Office preparedness for COVID-19 (coronavirus): institutional accommodation, Fifth special report of session 2019-21, Home Affairs Committee, July 2020, [link](#); Asylum accommodation and support transformation programme, Twenty-fifth report of session 2019-21, House of Commons Public Accounts Committee, November 2020, [link](#); An inspection of UK refugee resettlement schemes, November 2019 – May 2020, Independent Chief Inspector of Borders and Immigration, November 2020, [link](#); An inspection of the use of hotels for housing unaccompanied asylum-seeking children (UASC) March – May 2022, Independent Chief Inspector of Borders and Immigration, October 2022, [link](#); An inspection of contingency asylum accommodation, May 2021 – November 2021, Independent Chief Inspector of Borders and Immigration, May 2022, [link](#); Asylum accommodation and support, National Audit Office, July 2020, [link](#).

costs of asylum accommodation. While the contracts were adjusted and the caps increased to reflect the increased use of contingency accommodation (mainly hotels) during the COVID-19 lockdown, the KPIs and their themes have not changed. We saw evidence in March 2023 that the KPIs for the AIRE contract are currently being renegotiated and we heard that there are also plans to amend the KPIs for the AASC contracts.

- 4.40 The length of time it has taken to revisit the KPIs is contrary to UK government guidance on managing high-value contracts, which states that KPIs must be kept up to date as circumstances change. Crown Commercial Service guidance states that “[p]erformance targets should be regularly reviewed to ensure the KPIs remain relevant and meaningful. Targets that prove over time to be too easy or too hard to reach should be fine-tuned to provide better indicators of performance.”⁵⁸
- 4.41 In interviews with Home Office officials and service providers, it was acknowledged that the onset of the COVID-19 pandemic only a few months into the delivery period of the contracts amounted to a fundamental change in operating environment, requiring revision of the KPIs. Furthermore, by retaining the same KPIs through the accommodation crisis, the Home Office may have missed the opportunity to create positive incentives for its suppliers to look for more cost-effective, long-term solutions. The Home Office did begin in 2022 to make some changes, and a task group is considering options for redesigning the service and/or renegotiating terms based on data gathered from the contracts over the past three years. A review of the contracts was conducted in March 2022, but the Home Office did not share this with us when we asked for copies of all evaluations conducted since 2015. It is notable that more than two years after the sharp rise in the use of hotels as contingency accommodation for asylum seekers in early 2020, the Home Office continues to source hotel accommodation through the AASC contracts, despite the fact that these contracts were never designed for this purpose.
- 4.42 There are also deficiencies with the original KPIs. They are focused on the outputs that the suppliers are required to deliver, rather than on the suppliers’ contribution to achieving the Home Office’s desired outcomes. For example, KPI 2 in the AIRE contract requires the contractor, Migrant Help, to provide ‘induction guidance’ to every new asylum seeker entering accommodation within 24 hours, including information on the support services that are available to them. In practice, asylum seekers are often disoriented and overwhelmed when they first arrive, and struggle to absorb the information. During our site visits, we found confusion and misunderstanding among asylum seekers on their entitlement to services. Stakeholders from local authorities, CSOs and service providers confirmed that one induction at such an early stage was not sufficient and should be followed up once the asylum seekers were more settled. If the KPI measured retention of knowledge by asylum seekers after a period, rather than the timely delivery of a single induction session, the service provider would be incentivised to find a more appropriate solution.
- 4.43 Overall, we were not persuaded that the KPIs or monitoring arrangements were suitable for motivating good performance or enabled the Home Office to manage contracts of this complexity both proactively and efficiently, as required by UK government guidance. We have been informed that a range of improvements are currently being delivered, but we do not yet have the evidentiary basis to be able to assess the extent to which these actions will address our concerns.

Contract management is not to the standards set by government for contracts of this magnitude

- 4.44 The management of large and complex contracts is an important responsibility and requires expertise and commercial acumen. To this end, the Government Commercial Function has set standards for the qualifications and experience of contract managers and other officials who work closely with suppliers.⁵⁹
- 4.45 The AASC and AIRE contracts are classified as ‘gold-level’ contracts, due to their high commercial value (greater than £10 million), their complexity and high impact. The commercial contract management team has been significantly under-resourced since the inception of the contracts and is only now in the process of recruiting the size of team required for gold-level contracts, according to contract

⁵⁸ *Commercial capability: contract management standards*, Crown Commercial Service, June 2014, last updated February 2021, [link](#).

⁵⁹ See guidance on standards in *Commercial capability: contract management standards*, Crown Commercial Service, June 2014, last updated February 2021, [link](#).

management best practice. In our review we found that the officials charged with managing the contracts did not have the appropriate level of commercial experience for contracts of this value.

- 4.46 While contract management meetings are held monthly, the outputs from these meetings are focused on the monitoring of contracts and not their management. We were not given evidence that contract management meetings are appropriately recorded with records of decisions, firm deadlines for achievement and reviews of how issues raised have been addressed. Nor are the contract meeting records organised in a single repository for each contract, for ease of reference and referral.
- 4.47 We found that contract management did not follow a clearly defined contract management plan. There were no processes for how continuous improvement in the delivery of the contract would be planned, managed and governed. The contract management regime lacked clearly defined management processes, with roles assigned to suitably qualified and empowered staff. We have been informed that contract management plans, with 'continuous improvement' as a new addition, are being implemented, as is the establishment of a RASCI matrix (identifying the roles of each team member according to the five criteria Responsible, Accountable, Supporting, Consulted and Informed). While this sounds positive, we have not seen the evidence to enable us to assess progress.

There is a hierarchy among the different schemes and contracts, which compete against each other

- 4.48 There is a hierarchy among the UK's many schemes and approaches to different groups of refugees and asylum seekers. The level of support received by refugees and asylum seekers depends on the schemes they fall under, not their needs. This creates inequity in the provision of support, with no clear humanitarian rationale.
- 4.49 In particular, we found that the higher-profile Afghan and Ukrainian schemes have almost completely crowded out the scheme for resettlement of vulnerable refugees (UKRS), which is managed in collaboration with the UN Refugee Agency (UNHCR). Refugees who have been identified by UNHCR and accepted by the UK are waiting an unacceptably long time before they can travel to the UK because of the lack of accommodation – typically for a year and longer, with the oldest cases being five to six years old. One Home Office official told us: "It is really challenging for us, we have to have difficult conversations with UNHCR who have to counsel our refugees in the host countries about delays. It is really challenging because we see lots of people deteriorate in specific host countries because of the conditions there." In December 2022 there were 470 cases involving 1,400 people, waiting for accommodation before being allowed to travel to the UK.
- 4.50 Compounding these delays, UNHCR has been asked by the UK government to shift its attention to focus on identifying Afghan refugees for resettlement under ACRS Pathway 2 only (see **Table 4** in **Section 3**). As a result, the UKRS has almost completely ceased processing vulnerable refugees for resettlement to the UK, in effect closing a rare safe and legal route to seek protection in the UK for refugees who do not fall under a nationality-based scheme.
- 4.51 The competition between schemes is also poor value for money. We heard from several stakeholders, including within government, that different parts of the Home Office operating different schemes source their accommodation separately and, at times, found themselves competing for the same hotel contracts, driving prices up.

There is variation between schemes, regions and local authorities in the quality and extent of services provided for asylum seekers and refugees

- 4.52 Standards in the services provided for resettled refugees were generally reasonable. However, they varied in quality depending on the scheme, the region and the local authority.

“ The council took into consideration my interests, eg distance to the train station, so I could keep my routine. Level of support from council is unbelievable. ”

Ukrainian woman refugee, Homes for Ukraine scheme

“ Before I arrived to the UK, my host family wrote to me with the registration for a school and found two places for me for children to go to school as soon as they arrived. I was so impressed. My host family helped me with all application formalities as I don't speak English. ”

Ukrainian woman refugee, Homes for Ukraine scheme

“ Our location is good - near a job centre, transportation, city centre. Easily accessible to my needs. School is a bit far away, but I understand you can't tick all the boxes. ”

Syrian woman refugee, UK Resettlement Scheme

- 4.53 The quality and availability of services for asylum seekers is much lower than for refugees arriving on resettlement schemes. During site visits, when we heard complaints about hotel standards, disrespectful staff, or lack of services, this was mainly in relation to asylum seeker accommodation.
- 4.54 Unlike for the refugee schemes, local authorities have generally not been provided with additional funding to provide support services for asylum seekers. This began to change in 2022, with the Home Office offering a one-off payment of £250 per asylum seeker to local authorities to source more dispersed accommodation and move asylum seekers out of hotels. This was then increased to an offer of £3,500 for each additional 'dispersal bed' (in non-emergency accommodation, such as a shared flat) provided between March 2022 and March 2023.
- 4.55 There is great variation between local authorities in the quality and level of service provided, and the burden of hosting asylum seekers. Some local authorities are welcoming, have good infrastructure and expertise, and work with community-based organisations and non-governmental organisations to provide support. Local authorities with many asylum seekers and resettled refugees can pool the resources they receive as part of the various schemes and that way get better value for money and provide more services. Other local authorities provide fewer services. One urban local authority with a welcoming approach to new arrivals mentioned that nearby local authorities would send asylum seekers to them for services such as language training that they did not provide themselves, but they did not offer resources for this.
- 4.56 The Scottish government has a more welcoming and integration-focused policy towards asylum seekers than the UK as a whole, and Home Office officials noted better collaboration from local authorities in Scotland. The Scottish government also has a policy of not reporting devolved spending on refugees and asylum seekers as in-donor refugee costs in its own aid programme. Scotland's policy is to integrate refugees and asylum seekers on arrival. In Glasgow, although Glasgow City Council was facing many of the same challenges as other local councils, we found greater willingness to innovate, and more cooperation among private service providers, community organisations and local authorities. Glasgow City Council is also the only local authority in the UK to have a 'health bridging team' for newly arrived asylum seekers, allowing a preventative and proactive approach to health needs when people arrive, often exhausted after long and hazardous journeys.

The asylum accommodation and support system relies on 'above and beyond' efforts to provide adequate services

- 4.57 The lengthy period in which asylum seekers remain dependent on the Home Office for accommodation and support services, unable to provide for themselves or plan for the future is costly, both in human and economic terms.

“ In terms of the impact on people, the asylum support system was not intended to be a long-term solution but, because of issues with procurement and backlog, people are staying on support in hotels for much longer, for a year and longer and often moving between different hotel sites. It is not sustainable. We provide therapeutic support and go to hotels on a daily basis, [and] therapists are shocked by the level of despair felt and high levels of suicidal ideation. People feel hopeless and desperate. ”

Roundtable participant

4.58 Under these extremely difficult conditions, the extra efforts of charities, community groups, hotel managers, and concerned individuals are relied on to make the system work. Without this ‘above and beyond’ work, the situation for asylum seekers, as well as for Afghan refugees staying in hotels, would be considerably worse.

“ There is an advisor [...] at the hotel [...]. He did all of the forms and he told me about school, and we went to the school at the first time with him and he did all of the forms. [...] And I have his contact number and I call him about my son if we have any problem with the school, he helps us. Yes, he is very good. ”

Woman asylum seeker living in hotel accommodation with her family

“ I have no documents though and I can’t work and I feel useless. I want to be useful in life and speak English. I don’t go to English class, I don’t know my permission for that ... [I] got a message on the internet about voluntary work and had an appointment three days ago and I go again on 30 December and they give advice. If I can’t work, I will volunteer. I like to help people. ”

Woman asylum seeker living alone in hotel accommodation

4.59 From the limited site visits conducted for this review, as well as through interviews, it is clear that many individuals, whether from commercial contractors, local authorities, community organisations or the Home Office itself, work very hard to make the system work as well as it can under difficult circumstances. This way of working is, however, not sustainable. It places inordinate pressure on the individuals working with asylum seekers, including the emotional effect of attempting to ameliorate the effects of a system in crisis. One person working for a charity described the emotional effect of this: “I’ve had to tell people to go to a shelter and get a sleeping bag and sleep in the park. That’s all I can do, bar take them home with me.”

4.60 The reliance on individual efforts also creates disparities in the asylum support system. In our consultations with refugees and asylum seekers, alongside praise for the efforts of hotel staff, we also heard of poor services and treatment.

“ The problem is the support worker I’ve got – I can’t say it happened to everyone, but I heard from other Syrians too – they don’t have enough information, are not trained for the job, some are lazy. ”

Syrian woman refugee, UK Resettlement Scheme

“ I came to London and my husband was already over here in the asylum system and they put him in a hotel in Manchester. When I got to the airport I told them I was here to claim asylum and asked to be with my husband and I thought I would be able to stay a night somewhere but they just threw me out and told me to find my husband so I got to Manchester but when I got there he was in accommodation for only men so they said I couldn't stay there so I was on the street for days. ”

Woman asylum seeker in hotel accommodation

The processes to ensure safeguarding within initial and bridging accommodation for asylum seekers and resettled refugees are inadequate

- 4.61 All the refugee schemes and the asylum accommodation and support contracts we reviewed had safeguarding requirements and processes, but these were not sufficiently detailed or adapted to the needs and challenges arising in different accommodation settings. In the otherwise lengthy and detailed AASC contract documents, there was only one page on safeguarding, with very generic text. There were no KPIs specifically about safeguarding training and practice.
- 4.62 Safeguarding risks in hotel accommodation, particularly for women and children, have been a concern across previous scrutiny reports, as well as for many stakeholders interviewed for this review. Gender-based violence, harassment, and lack of safety in the hotels was brought up in focus group discussions. We heard at every site visit (apart from at a men-only hotel) about problems with safeguarding, as well as issues around identifying and reporting it. The Home Office noted that the number of safeguarding incidents reported has gone up from 2,000 to 6,000 a month, since the beginning of the pandemic when prolonged stays in hotel accommodation began.
- 4.63 At hotels for Afghans resettled through ARAP and ACRS, we heard of forced marriages as well as women not leaving their hotel rooms at all. Many women in focus groups mentioned they did not feel safe or did not feel they were heard.

“ Terrible thing was my daughter was scared in the hotel. [...] She said she saw something and was scared and afraid, and she's still in a bad condition and we don't know what it was and she won't go to school. ”

Afghan woman refugee, ARAP

“ Men are always sitting in the lobby. When Home Office people came, they rush to them and express their needs. Home Office and other agencies just serve them. In Afghan culture it's difficult for women to ask for needs. [...] In Afghanistan we have different ethnic groups too. I was the only woman not wearing the scarf. Other men in the hotel tease me. Even the hotel staff asked me why I am not wearing scarf. 'It's not your business', I said. The hotel staff was rude. ”

Afghan woman refugee, ACRS

- 4.64 Whether or not gender-sensitive approaches to protection and services were implemented seemed to be down to individual hotel managers and varies from hotel to hotel. We saw some examples of good practice. In one hotel for Afghan refugees, there had been serious issues with gender-based violence and with women remaining isolated and shut behind closed hotel room doors. Gradually, as the hotel manager, the local council and the Home Office's local officer based on the premises became aware,

measures were taken to counteract this, such as requiring everybody to eat in the common dining area instead of men bringing food back to the rooms for female family members. A women's organisation was also brought onto the premises.

- 4.65 In another hotel, women found it difficult to move freely within the building, and those without husbands present had a particularly difficult time. Despite this, we were told of two single mothers who had been living alone in the hotel with their children for many months without the Home Office finding them more appropriate accommodation.
- 4.66 The Home Office does not have sufficient oversight and control over safeguarding training standards for those working with vulnerable refugees and asylum seekers. There are requirements for safeguarding training in the AASC contracts, and the Home Office told us that contract managers make sure that service providers' safeguarding strategies and action plans are on track, and that safeguarding training is conducted and refreshed. However, interviews and site visits suggest that the training, especially of hotel staff, is short and inadequate. There are big differences in how well the staff are vetted and trained from one hotel to another. We were told of one case where hotel workers were required to pay for an online safeguarding course themselves and complete it in their own time.

Home Office learning from previous scrutiny reports and recommendations on value for money of accommodation and support services has been limited and lacks transparency

- 4.67 Other oversight bodies, most recently the Independent Chief Inspector of Borders and Immigration (ICIBI), have scrutinised the Home Office's asylum accommodation and support services in the past few years. Value for money emerges as a consistent theme in these reports, particularly in light of increased demand for initial and contingency accommodation. The Home Affairs Committee, the Public Accounts Committee (PAC) and the National Audit Office (NAO) have all pointed out the need for the Home Office to develop clear and realistic plans to reduce the costly and widespread use of hotels. Urgent recommendations to reduce hotel use were offered well before the accommodation crisis came to a head in 2022. We did not see evidence that the Home Office had produced any such plans. We also found no evidence that the Home Office has improved its contract management practices, in response to previous oversight reports from PAC, NAO and ICIBI, although the department told us in March 2023 of some improvements in contract management capacity and processes currently underway.
- 4.68 Overall, we found that there is little transparency in how the Home Office responds to recommendations from official scrutiny bodies on improving its asylum services. We were not given more than very general evidence from the Home Office on whether and how they followed up on recommendations from other scrutiny bodies. We found that the Home Office is often slow in responding to recommendations from external scrutiny bodies. The Home Office reports to its Audit and Risk Assurance Committee on recommendations from the NAO. However, in general the updates from the project assurance dashboard for AASC contracts shared with ICAI provided very limited information on actions taken on previous recommendations, and on their stage of implementation. The project assurance dashboard also shows that many relevant recommendations from external independent scrutiny reports remain open, with no comments provided on action plans two years or more after scrutiny, including six out of seven recommendations from the NAO 2020 report, and four out of nine in an ICIBI report from 2018.
- 4.69 ICIBI told us that the Home Office has closed recommendations unilaterally without consulting with them, and they found it difficult to be informed about responses to their recommendations. We also note that a recommendation from the Windrush Lessons Learned Review that the government should "review the remit and role of the ICIBI, to include consideration of giving the ICIBI more powers with regard to publishing reports" was recently discontinued by the Home Office without having been implemented, to ICIBI's public disappointment.⁶⁰

⁶⁰ Role and remit review of ICIBI discontinued: the Independent Chief Inspector of Borders and Immigration expresses disappointment at decision not to proceed with the Windrush Lessons Learned Review's Recommendation 10, Independent Chief Inspector of Borders and Immigration, 26 January 2023, [link](#).

5. Conclusion and recommendations

Conclusion

The impact of in-donor refugee costs on the UK aid programme

- 5.1 Soaring in-donor refugee costs have caused major disruption to UK aid. In July 2022, the Foreign, Commonwealth and Development Office (FCDO) announced a pause on all ‘non-essential’ official development assistance (ODA) spending, which lasted until November 2022. Lacking an accurate forecast of the Home Office’s sharply rising ODA expenditure, FCDO was forced to put its own bilateral programming on hold, despite the risk to its partnerships and the many people around the world who rely on UK development and humanitarian aid. While FCDO put in place criteria for making exceptions to the spending pause to protect the most vulnerable, the scale of the savings that had to be made by FCDO was so large that this was not sufficient to avoid all risks of harm.
- 5.2 One consequence is that the UK’s ability to respond to global crises and humanitarian emergencies has been sharply curtailed. Compared to earlier years, the UK contribution to global relief efforts has been both smaller and later, as seen in the UK’s response to the worsening drought in the Horn of Africa which is expected to lead to widespread famine in 2023. It has undermined the UK’s commitment to playing a leading role in the international response to global crises.
- 5.3 The UK’s approach to in-donor refugee costs creates less incentive for the Home Office to control its expenditure. The UK’s method of calculating in-donor refugee costs seems to be within the rules and is more transparent than that of many donors, but it cannot be said to follow a conservative approach. The UK’s interpretations on what to include are generous, and the use of modelling based on unit costs rather than reporting actual costs risks over-reporting.

The quality and value for money of in-donor refugee costs

- 5.4 The short-term nature of the Home Office’s response to the asylum accommodation crisis has contributed to spiralling costs. This has been exacerbated by the large and growing backlog in asylum claim processing. The Home Office has not effectively overseen the value for money of its large-value asylum accommodation and support contracts. It lacks monitoring data and up-to-date key performance indicators that would enable it to compare the cost effectiveness of different suppliers and identify scope for improvement. While many other scrutiny bodies have also voiced value for money concerns, we found no evidence that the Home Office had improved its contract management practices in response, and it has been generally slow in responding to recommendations.
- 5.5 The many different schemes and contracts provide different levels of support and create unhelpful competition for resources. High-profile schemes for Afghans and Ukrainians are relatively well resourced and have crowded out other categories, particularly refugees awaiting resettlement through the UN High Commissioner for Refugees, who may face several years’ delay before they can travel to the UK because of the lack of accommodation.
- 5.6 We are also concerned about the high level of safeguarding concerns. Refugees and asylum seekers in hotel accommodation – particularly women and girls – face significant risks, especially of gender-based violence and harassment. The Home Office does not have strong enough oversight of safeguarding processes or of the training of service providers and hotel staff who are working with vulnerable refugees and asylum seekers.

Recommendations

Recommendation 1: The government should consider introducing a cap on the proportion of the aid budget that can be spent on in-donor refugee costs (as Sweden has proposed to do for 2023-24) or, alternatively, introduce a floor to FCDO’s aid spending, to avoid damage to the UK’s aid objectives and reputation.

Problem statements:

- The combination of uncapped ODA for in-donor refugee costs, an overall ODA spending target, and allocating to FCDO the role of spender and saver of last resort to hit that target, is unviable considering the volatility and unpredictability of in-donor refugee costs in any given year.
- The Home Office was unable until almost the end of 2022 to predict with any certainty how much of that year's ODA budget it would spend on refugees and asylum seekers, which made it impossible for FCDO to commit funding to and plan its ODA programme.
- Soaring in-donor refugee costs in 2022 directly caused the spending pause imposed on all 'non-essential' ODA spending by FCDO, which had a severely negative impact on the UK's reputation as a donor, its reliability as a development partner and its ability to pursue its international development objectives.
- The ODA spending pause hindered the UK government from taking a central role in the international response to the humanitarian crisis in East Africa and the Horn of Africa, and its contribution to the response and rehabilitation efforts after catastrophic floods in Pakistan was uncharacteristically modest.
- A peer review report by the Development Assistance Committee of the Organisation of Economic Cooperation and Development (OECD-DAC) noted in 2020 that the UK "could draw on the experience of other DAC members who use a range of budget mechanisms to smooth ODA budgets and expenditure over several years, mitigating the impact of annual fluctuations" but the UK government, having explored it, rejected this suggestion.

Recommendation 2: The UK should revisit its methodology for reporting in-donor refugee costs, as Iceland did, with the aim of producing a more conservative approach to calculating and reporting costs.

Problem statements:

- The UK government insists that its methodology for reporting in-donor refugee costs is objective and, thus, not open to interpretation but a comparative look across the diverse practices by different DAC donors refutes this view.
- There are examples of other donors not including costs that the UK includes.
- The DAC asks for a conservative approach in reporting including, as far as possible, actual costs but the UK relies to a large extent on estimates and models.
- The UK government's decision-making on what to include as in-donor refugee costs and how to price it is opaque, which means that: (i) there is a need for better monitoring; and (ii) it is currently difficult to assess if estimated costs are realistic and conservative. An example is the lack of information around the government decision-making on what aspects of the Homes for Ukraine scheme should be classified as ODA and at what funding level.
- While Iceland's review of its methodology after a year of significantly increased in-donor refugee costs led to a reduction in costs, from 32% to 13% of total ODA from 2017 to 2019, the UK does not currently have plans to revisit its methodology.

Recommendation 3: The Home Office should strengthen its strategic and commercial management of the asylum accommodation and support contracts, both individually and as a group, to drive greater value for money.

Problem statements:

- Contract management is not to the standards set by government for contracts of this magnitude, and it is not adequately resourced with the right skills and experience as set out in these standards.
- Key stakeholders within the Home Office do not have access to relevant financial data.
- The Home Office is not able to determine if it achieves value for money through the Asylum Accommodation and Support Contracts (AASC).

- The key performance indicators are output- rather than outcome-focused and have not changed in four years, despite dramatic changes in context.
- The AASC contracts were not designed to include extensive use of hotel accommodation, and do not provide enough incentive to house refugees and asylum seekers in more affordable and appropriate dispersed accommodation.
- Contract holders provide 20,000 different data points to the Home Office every month, which makes the task of identifying important information for monitoring delivery difficult.

Recommendation 4: The Home Office should consider resourcing activities by community-led organisations and charities as sub-contractors in the asylum accommodation and support contracts for dedicated activities to support newly arrived asylum seekers and refugees.

Problem statements:

- The inclusion of the Advice, Issue Reporting and Eligibility (AIRE) contract managed by a non-governmental organisation alongside the AASC private contractors has been a clear improvement from the COMPASS contracts, but there is no other public funding for voluntary organisations to support asylum seekers and refugees with information and support.
- The asylum accommodation and support system relies too heavily on organisations and individuals going ‘above and beyond’ to provide adequate services.

Recommendation 5: The government should ensure that ODA-funded in-donor refugee support is more informed by humanitarian standards and in particular that gender equality and safeguarding principles are integral to all support services for refugees and asylum seekers.

Problem statements:

- Humanitarian standards are not incorporated in objectives for how this aid is delivered in the UK, even though it is classified as a form of humanitarian aid.
- The humanitarian principle of providing services to all affected people and communities in a manner that is non-discriminatory and enhances the dignity of the individual is not well aligned with the regional and local variation, as well as differences across schemes, in the quality and level of basic services for resettled refugees and asylum seekers.
- Practice around ensuring safeguarding and gender equality within the asylum accommodation and support contracts and the Afghan resettlement schemes is inadequate.
- There is insufficient oversight from the Home Office of contractors’ approach to and training of staff in safeguarding.
- Gender-sensitive approaches to support services are not mainstreamed across support services for refugees and asylum seekers, despite the different needs and experiences of refugees and asylum-seeking men and women.

Recommendation 6: The Home Office should strengthen its learning and be more deliberate, urgent and transparent in how it addresses findings and recommendations from scrutiny reports.

Problem statements:

- There is little transparency and accountability in how the Home Office responds to recommendations from official scrutiny bodies on improving asylum and refugee services.
- We found little evidence of a structured approach to addressing recommendations by the National Audit Office, the Public Accounts Committee and, most recently, the Independent Chief Inspector of Borders and Immigration (ICIBI).

- While ICIBI, in response to its recommendations, was told that plans to reduce hotel use began in December 2020, we did not see any results of this, and hotel use increased considerably during the ICAI review period between October 2022 and March 2023.
- The Home Office's current planning efforts to reduce hotel use only began in late 2022, after serious damage had been done to the UK aid programme and its reputation as a donor and development partner.
- In the project assurance dashboard for the AASC contracts that the Home Office shared with ICAI, many relevant recommendations from external independent scrutiny reports remain open, with no comments provided on action plans two or more years after scrutiny.

6. April 2023 update on statistics for in-donor refugee costs

Background

- 6.1 When ICAI's rapid review of *UK aid to refugees in the UK* was published on 29 March 2023, it used estimates of how much official development assistance (ODA) was spent on in-donor refugee costs in the calendar year 2022. These estimates were based on spending data shared by government departments with ICAI between December 2022 and February 2023. We noted that official figures might differ once these were released, since we had not received data from all government departments or on the UK's total ODA aid expenditure.
- 6.2 On 5 April 2023, the Foreign, Commonwealth and Development Office (FCDO) released its provisional *Statistics on international development* for 2022.⁶¹ This was followed on 12 April by preliminary statistics from the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC). Using data from these two sources, this addendum provides an update on 2022 spending figures that were not available to ICAI when we published our review. The aim of the update is to ensure that an accurate account of the relevant data on UK in-donor refugee costs is available in the public domain. It also complements the analysis in the review above by comparing UK spending in 2022 with that of other donors.

Official UK statistics confirm a steep rise in aid spent on in-donor refugee costs in 2022, even larger than the ICAI estimate

- 6.3 In 2022, according to FCDO's provisional *Statistics on international development* for 2022, the UK spent £3.7 billion on in-donor refugee costs, up from £1.1 billion in 2021. Total UK aid in 2022 was £12.8 billion, up from £11.4 billion in 2021. In-donor refugee costs thus constituted 28.9% of all UK aid in 2022, compared to 9.2% in 2021.⁶²
- 6.4 ICAI's estimates were somewhat lower than these figures, both for in-donor refugee costs and total UK ODA (see **Table 7**). This was a result of (i) ICAI not having data to cover all government spend; (ii) the government itself not knowing until well into 2023 how much would be spent on in-donor refugee costs in 2022; (iii) uncertainty about how much of the extra £1 billion in ODA provided by HM Treasury in the Autumn Statement for the financial year 2022-23 would fall in the calendar year 2022 (see **paragraph 4.6**); and (iv) uncertainty about how far the UK's ODA spending target of 0.5% of gross national income (GNI) would be exceeded to accommodate the record spending on refugees and asylum seekers in the UK. In the end, the UK spent 0.51% of GNI on aid in 2022, compared to 0.5% in 2021.

Table 7: In-donor refugee costs per UK government department: in 2021, 2022 and compared to ICAI's estimate

Department	In-donor refugee costs, 2021	In-donor refugee costs, 2022	(ICAI's estimate of spend 2022)
Home Office	£996 million	£2,382 million	(£2,380 million)
Department for Levelling Up, Housing and Communities	0	£524 million	(£520 million)
Department of Health and Social Care	£26 million	£274 million	(£260 million)

61 *Statistics on International Development: Provisional UK aid spend 2022*, Foreign, Commonwealth and Development Office, April 2023, [link](#).

62 *Statistics on International Development: Provisional UK aid spend 2022*, Foreign, Commonwealth and Development Office, April 2023, p. 6, [link](#).

Department for Education	£21 million	£216 million	(£200 million)
Department for Work and Pensions	£4 million	£160 million	(£170 million)
Other in-donor refugee costs*	£4 million	£109 million	(not included)
HM Revenue and Customs**	0	£21 million	(not included)
Total	£1,052 million	£3,686 million	(£3,530 million)

Source: 2021 and 2022 data from “Supplementary table 1. Total UK ODA for in-donor refugee costs, by department, from 2018 to 2022”, *Statistics on International Development: Provisional UK aid spend 2022*, Foreign, Commonwealth and Development Office, April 2023, [link](#). ICAI’s estimate is from Table 3 on p. 10 of this report.

* This includes mainly estimates of ODA eligible health and education costs for refugees and asylum seekers administered by the devolved governments. ICAI’s mandate does not include aid spent by the devolved administrations.

** ICAI did not include HM Revenue and Customs in its spending overview, since it had not spent any in-donor refugee costs in 2021 and ICAI was not informed that this had changed at the time evidence was gathered.

OECD-DAC statistics show almost all donors spent more of their aid on in-donor refugee costs in 2022, but the UK spent double the DAC average

6.5 The OECD data shows that total ODA across donors in 2022 reached a record high, mainly due to spend on in-donor refugee costs and humanitarian assistance related to Russia’s invasion of Ukraine. The UK spend on in-donor refugee costs is double the average of DAC donors. While the UK spent 28.9% of its total ODA in 2022, the DAC donor average was 14.4%.⁶³ In 2016, the last time in-donor refugee costs were at a record high among DAC donors, the average was 11%, while the UK’s in-donor refugee costs were 3.2%. In other words, the UK has gone from well below average in 2016 to more than twice the donor average in 2022. While the UK’s total ODA budget grew from 2021 to 2022, if we remove in-donor refugee costs from the statistics, the UK has the largest drop (by 16.4%) in ODA spend in 2022 of all DAC donors.⁶⁴

6.6 The detailed summary note accompanying the 2022 OECD preliminary statistics pays particular attention to in-donor refugee costs and shows the strong impact of this spend on the ODA budgets of many donors.⁶⁵ The note shows large variation among donors in how in-donor refugee costs have impacted on the rest of their ODA budgets. Using data from the summary note, **Table 8** and **Table 9** below compare the UK with other DAC donors.

- **Table 8** compares the UK with the same six donors used for comparison in ICAI’s review (see **Figure 3**, page 10). It shows that in-donor refugee costs as a proportion of total ODA is significantly higher in the UK than the other donors. Only the UK and Sweden have reduced total ODA spending between 2021 and 2022, if in-donor refugee costs are excluded, by 16.4% and 3.8% respectively.
- **Table 9** looks at the seven DAC donors (including the UK) that spent 25% or more of their total ODA on in-donor refugee costs. In this category, the UK has the largest drop in ODA spend if in-donor refugee costs are excluded. Poland, which hosted around 1.5 million Ukrainian refugees in 2022, had a rise in in-donor refugee costs from £13.7 million in 2021 to £1.8 billion in 2022, but also increased other ODA spending, particularly its contributions to international organisations. Overall, its ODA budget went up by 255.6%.⁶⁶

63 ODA levels in 2022 – preliminary data: Detailed summary note, OECD, 12 April 2023, [link](#).

64 ODA levels in 2022 – preliminary data: Detailed summary note, OECD, 12 April 2023, Table 3, p. 11, [link](#). New Zealand has a slightly higher drop (17.2%), but this is unrelated to in-donor refugee costs and due to a “temporary downturn of its disbursements within its three-year budget cycle”.

65 ODA levels in 2022 – preliminary data: Detailed summary note, OECD, 12 April 2023, [link](#).

66 ODA levels in 2022 – preliminary data: Detailed summary note, OECD, 12 April 2023, p. 3, [link](#).

Table 8: In-donor refugee costs in 2022 and their effect on other ODA spend for a selection of donors

Country*	In-donor refugee costs, 2022 **	In-donor refugee costs, 2022, as a proportion of total ODA	Percentage change in total ODA spend from 2021 to 2022, excluding in-donor refugee costs***
Canada	£766 million	12.1%	↑ 13.2%
France	£1,206 million	9.4%	↑ 10.2%
Germany	£3,645 million	12.8%	↑ 6.4%
Netherlands	£767 million	14.6%	↑ 20.4%
Sweden	£311 million	7%	-3.8% ↓
UK	£3,685 million	28.9%	-16.4% ↓
US	£5,390 million	12%	↑ 5.6%

Source: ODA levels in 2022 – preliminary data: Detailed summary note, OECD, 12 April 2023, Table 3, p. 11, [link](#).

* These are the same donors that ICAI benchmarked against in Figure 3, page 10.

** The data from OECD, which are in 2022 USD millions, are converted to GBP following the OECD exchange rate of 2022, [link](#).

*** Percentage change calculated at 2021 prices and exchange rates.

Table 9: DAC donors that spent more than 25% of total ODA on in-donor refugee costs

Country	In-donor refugee costs, 2021	In-donor refugee costs, 2021, as a proportion of total ODA	In-donor refugee costs, 2022*	In-donor refugee costs, 2022, as a proportion of total ODA	Percentage change in total ODA from 2021 to 2022, excluding in-donor refugee costs**
Czechia	£5 million	1.75%	£524 million	65.4%	-6.1% ↓
Finland	£55.7 million	4.59%	£332 million	25.4%	-7% ↓
Ireland	£40.7 million	4%	£1,015 million	51%	↑ 15.2%
Lithuania	£1.5 million	2.21%	£41 million	25.2%	↑ 69.5%
Poland	£13.7 million	1.74%	£1,769 million	64.6%	↑ 28.2%
Switzerland	£298.7 million	9.42%	£1,025 million	28.2%	-8% ↓
UK	£1,173.8 million	8.89%	£3,685 million	28.9%	-16.4% ↓

Source: ODA levels in 2022 – preliminary data: Detailed summary note, OECD, 12 April 2023, Table 2 and Table 3, p. 9 and p. 11, [link](#); OECD Query Wizard for International Development Statistics, OECD, n.d., [link](#) (accessed April 2023).

*The data from OECD, which are in 2022 USD millions, are converted to GBP following the OECD exchange rate of 2022, [link](#).

**Percentage change calculated at 2021 prices and exchange rates.



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