an analysis of the variation in the cost of supporting asylum seekers
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1. Introduction

1. The number of people claiming asylum in the UK has increased in recent years, from 25,000 applications in 1990 to over 70,000 in both 1999 and 2000 [EXHIBIT 1]. The majority of new arrivals are destitute and, in accordance with the 1951 United Nations Convention relating to the Status of Refugees, the UK provides them with housing and subsistence until their claims for refugee status have been determined. Not surprisingly, the Home Office has struggled to keep pace with applications from the rising numbers of new arrivals and, as a result, the overall cost of supporting them while they wait has grown significantly. In 1999/2000, the cost to the public purse of supporting asylum seekers was around £597 million, up from around £475 million in 1998/99.\textsuperscript{I II}

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I These totals include the specific support for in-country asylum seekers met by the Home Office, the cost of supporting unaccompanied children (met by the Department of Health) and housing benefits paid to port-of-entry asylum seekers.


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2. The Immigration and Asylum Act 1999 established the National Asylum Support Service (NASS) – a new Home Office directorate – to provide support for new arrivals from 3 April 2000 on a phased basis. Under the new arrangements asylum seekers are being dispersed across the UK on a ‘no-choice’ basis, and have been receiving housing and financial support in the form of vouchers from NASS.

3. Before the establishment of NASS, local authorities provided support to asylum seekers and continue to do so for those placed at that time. The Asylum and Immigration Act 1996, and a subsequent High Court ruling, required local authorities to provide housing and support to individuals seeking asylum on their arrival to the UK, while the Children Act 1989 required them to support children...
with families seeking asylum. Those applying after arrival to the UK are referred to as ‘in-country’ applicants. Those who claimed asylum immediately on entry to the UK, referred to as ‘port-of-entry’ applicants, were able to seek accommodation under homeless legislation and were entitled to housing benefit, provided they met ‘priority need’ criteria. The cost of supporting them therefore also fell on local authorities’ main revenue budgets.

4. Due to the backlog of applications and delays in phasing in the new arrangements, many authorities are still providing support to asylum seekers who are waiting for a decision on their claim. In October 2000, local authorities – particularly Kent and those in London – were still supporting around 40,000 in-country applicants. Local authorities will probably continue to play a significant role in this regard for the foreseeable future [BOX A].

5. Since April 1999, local authorities providing housing and subsistence to in-country asylum seekers have, in theory, been able to recover their costs from central government under a specific grant regime administered by the Home Office [APPENDIX 1]. In 1999/2000, the Home Office supported these costs via a grant, up to a limit of £140 per week for adults and £240 for families with children, irrespective of size. The grant for families with children in London increased from £240 to £300 in August 2000.

6. However, the grant claims made in 1999/2000 showed that the cost to local authorities of providing support varied significantly. One authority, for example, spent under £45 per week per family while another spent 10 times this amount [EXHIBIT 2]. There does not appear to be any regional pattern: 4 authorities outside London recorded higher unit costs than any London borough.

7. Variations in unit costs are not particularly significant where the number of asylum seekers looked after are small, they become very significant where the number supported is large. Because most

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**BOX A**

**Local authorities’ continuing role in supporting asylum seekers**

Although NASS support arrangements commenced in April 2000, many asylum seekers continue to be supported outside of the scheme. Port-of-entry applicants who arrived before 3 April 2000 continue to be eligible for benefits, and to being housed by local authorities if in ‘priority need’, until they receive a first negative decision on their claim. From December 2000, under a voluntary scheme, those supported by an authority under homeless legislation may be dispersed to other parts of the country, provided that the receiving authority agrees. Asylum seekers appealing against a first negative decision on their claim will either transfer to NASS or to local authorities, depending on when the decision is made. However, London boroughs are expected to continue to provide accommodation for families with school-age children who have been resident in the UK for some time and can reclaim the full cost, including a reasonable management fee, from NASS.

In-country applicants supported by authorities before July/August 2000 will continue to be supported by authorities until 14 days after a final refusal on their claim. Asylum seekers applying on or after July 24 2000 were transferred on a phased basis to NASS.

*Source: Audit Commission*
asylum seekers who need support arrive in the south east, expenditure has been borne disproportionately by the authorities there. Some authorities, such as Kent, support high numbers of asylum seekers, and manage to contain costs within grant thresholds. But, in 1999/2000, other local authorities spent over £30 million more than they could reclaim under the grant regime, leading to claims that they were subsidising central government. Of this shortfall 91 per cent was borne by London boroughs [EXHIBIT 3, overleaf]. The high cost of supporting families in London accounts for two-thirds of the overspend.

8. This paper has been written in response to the concerns expressed about such variations. It analyses why costs vary, and how some authorities manage to contain costs, while others do not. The paper meets a specific request by the Home Office, the Association of London Government (ALG), and the Local Government Association (LGA) to try to understand such variation.

EXHIBIT 2


Average spending varied widely, with 45 per cent of those providing support, incurring expenditure above the Home Office thresholds.

Source: Home Office grant claim statistics
and to inform future years’ grant settlements.

9. The paper reviews the services provided to in-country asylum seekers under the specific Home Office grant regime and looks at a number of the steps taken to reduce costs and improve the quality of the services provided. The costs of supporting port-of-entry asylum seekers are also reviewed where they can be estimated.

10. This paper is intended to help:
   • central Government to understand cost variations within the current grant regime and it makes recommendations on how the grant might be modified;
   • local authorities to identify good practice in managing support to asylum seekers, to contain costs, and to prepare for their future role as suppliers.

**EXHIBIT 3**

Shortfall between total expenditure (net of housing benefit) and the Home Office grant reclaimable for single adults and families with children in 1999/2000.

In 1999/2000 authorities spent around £30 million more than they could reclaim from central Government grants or through housing benefits – with London boroughs meeting 91 per cent of this shortfall.

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**Source:** Home Office grant claim statistics
of support and accommodation to new asylum seekers.

11. It is, however, important to recognise that supporting asylum seekers is not just about money. Asylum seekers are vulnerable people. Many are recovering from trauma while facing up to new challenges in this country. The quality of the care and support provided by local authorities is vital, and decisions on how and where to support asylum seekers must be influenced by humanitarian, as well as financial considerations.

12. Any additional indirect costs of supporting asylum seekers that fall on local authorities have not been addressed in this report. These include the costs of providing education and social services to asylum seekers, including the cost of supporting unaccompanied children in children’s homes and foster care. While these costs place very real demands on authorities’ revenue budgets – because of the need for additional language support in schools, for example – adjustments to central government grants to local authorities for general services (through the standard spending assessments) offset some of this expenditure. Support for unaccompanied children is financed by a separate grant scheme and is currently the subject of a review by the Department of Health.

13. A sample of 12 local authorities has been looked at in some detail. The sample was selected to include examples of both high- and low-spending authorities [EXHIBIT 4] (see also highlights in Exhibit 2). It also includes a mix of authority types, including inner and outer London boroughs, unitaries, district councils/authorities, county councils and a Welsh unitary. The study used financial data for the financial year

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**EXHIBIT 4**

**Average weekly expenditure on support to asylum-seeking adults and families 1999/2000.**

The sample of 12 authorities was selected to include examples of both high- and low-spending authorities.

<table>
<thead>
<tr>
<th>Cost of support per week (£)</th>
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<tbody>
<tr>
<td>£ 400</td>
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<td>£ 375</td>
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<td>£ 25</td>
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<td>£ 0</td>
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**Source:** Local authority data
1999/2000. Expenditure on asylum seekers totaled £92 million for the 12 local authorities. Qualitative data were gathered through detailed discussions with service providers and finance officers.

14. Financial information, where available, was collated directly from authorities’ own records. To submit a grant claim, authorities must keep records of relevant expenditure, but they are not required to provide a detailed breakdown of costs. Authorities with costs above the grant thresholds have had little incentive to record details of expenditure over and above these thresholds, as they cannot reclaim them. Authorities appear to have been reluctant to invest in the information technology and to implement the systems needed to record information in detail, for what was initially viewed as a relatively small, short-term problem.

15. As a result, only 4 of the 12 sites visited were able to complete the proforma required for the study. In the majority of cases information was extracted manually from the authorities’ expenditure records, or from the general ledger. The quality and quantity of data provided therefore varied significantly, as data were not always held in a format that allowed further analysis.

16. In spite of these qualifications, some broad patterns have emerged. Costs can be divided into three main types:
1. accommodation (lodging, and in some cases board);
2. subsistence; and
3. administration costs.

17. Accommodation costs accounted on average for two-thirds of all such expenditure in 1999/2000. They therefore also accounted for most of the variation between authorities, as described in the next section.
2. Accommodation

18. Local authorities have to use temporary accommodation to meet their housing responsibilities for both in-country and port-of-entry applicants. Permanent accommodation cannot be offered until their immigration status has been resolved. Temporary accommodation may be provided by the use of:

• council stock designated for temporary use;
• bed and breakfast, hotels or annexes;
• hostels;
• property rented from the private sector; and
• property provided by registered social landlords (RSLs).

19. The choice of accommodation does not depend entirely on price. Asylum seekers are a vulnerable group with particular social, welfare and health needs. They face an uncertain future in an unfamiliar environment. They are trying to cope with a very formal set of processes that will determine their future, while recovering from past trauma. Local authorities need to take account of the quality of the environment in which they place asylum seekers. Is there access to good local services such as shops and GPs, are they close to translation and legal support, are there voluntary organisations nearby to provide advice and support, and are they in an area with sufficient cultural diversity to make them feel at home? Local authorities cannot therefore necessarily aim for the lowest cost option in every case.

20. Costs varied widely between authorities for different types of accommodation [EXHIBIT 5, overleaf]. Figures are shown for those authorities in the Commission’s sample able to provide information on average unit costs. Bed and breakfast was the most expensive – with full or half board. Most authorities included in the Commission’s study used a variety of different types of accommodation in very different proportions [EXHIBIT 6, overleaf]. A number of authorities housed a substantial proportion of adults in hostel accommodation, again provided on a full- or half-board basis. From Exhibit 5, a clear pattern emerges. For nearly all accommodation types, the cost per week for housing a single adult or family tended to be more expensive in the capital.

21. Council accommodation was rarely used. Reasons given included:

• the low volume of stock available, given the amount sold or transferred;
• policy decisions restricting the use of such accommodation (some boroughs, for instance, took formal decisions to use their council stock for existing local homeless clients, rather than for asylum seekers);
• the level of co-ordination needed between authorities – particularly between county and district councils (only districts have housing stock); and
• any spare accommodation being used to re-house existing council tenants while their properties were redeveloped or modernised.

22. In practice, a lack of council accommodation was cited as a problem virtually everywhere, with nowhere, either in London or outside, using council stock for more than around 5 per cent of their asylum seekers (Exhibit 6).
EXHIBIT 5

Average weekly expenditure on different types of accommodation, 1999/2000.

Costs vary widely for different types of accommodation.

Source: Local authority data
23. Without access to their own existing accommodation, most authorities included in the Commission’s sample relied almost entirely on the private sector. Private rented housing, bed and breakfast or hostel accommodation accounted for nearly all of the total housing expenditure used in sample authorities in 1999/2000. Overall, costs are higher in London and Kent.

24. Competition for limited accommodation between social services, who generally take responsibility for housing in-country asylum seekers, and housing departments, who house homeless people – including port-of-entry asylum seekers – compounds the problem. In 1998 there were 166,430 homeless households nationally, adding to the pressure on temporary housing stock – particularly in London, where homelessness figures rose by 5.5 per cent in 1999/2000. There are now over 39,000 homeless households in temporary accommodation in the capital.

EXHIBIT 6

Percentage of average weekly expenditure on different types of accommodation, 1999/2000.

Most authorities included in the Commission’s study used a variety of different types of accommodation in very different mixes.

Source: Local authority data
25. Such competition effectively strained the pricing agreements secured through the London-wide Bed and Breakfast Information Exchange (BABIE). Although such agreements were explicitly designed to prevent inter-borough competition, intense pressure has forced some to break the agreed rates. The separate funding regime for in-country applicants has also allowed some social services departments to pay above the agreed rates. However, these sorts of pressures have not been confined to London. Authorities outside the capital have experienced similar problems when trying to secure competitively priced accommodation within their region, especially with large temporary populations, such as students or visitors, seeking similar properties.

26. The net result is that the average unit cost of accommodating asylum seekers varies significantly across the country [EXHIBIT 7]. Authorities’ abilities to procure affordable housing were very much dependent on local market conditions. Local rent officers assess the going rate for private rental costs in order to calculate housing benefit. This local going rate for accommodation

EXHIBIT 7

Average unit costs for accommodating asylum seekers.

Unit costs for accommodation are heavily influenced by local going rates.

Single adults

- Cost per week (£)
- £ 150
- £ 125
- £ 100
- £ 75
- £ 50
- £ 25
- £ 0

London boroughs

- Other authorities

Average: £106.00

Average: £78.70

Families with children

- Cost per week (£)
- £ 400
- £ 350
- £ 300
- £ 250
- £ 200
- £ 150
- £ 100
- £ 50
- £ 0

London boroughs

- Other authorities

Average: £223.20

Average: £140.10

Source: Local authority data
explains much of the variation between the London boroughs included in the study for the accommodation of both single adult asylum seekers and families [EXHIBIT 8], although there are exceptions.

27. The relationship to local rent levels seems to apply whatever the mix of accommodation used. Authorities appear to mix and match to contain costs, using bed and breakfast to a limited degree where costs are high and making use of hostel accommodation where it is available. Some authorities are better at it than others, containing costs slightly below local rent levels. Others are slightly above. Those with lower costs due to lower local rates have less incentive to control their costs as they are able to claim up to the Home Office’s standard flat rate of £140 (single adults) and £240 (£300 in London) for families with children.

EXHIBIT 8
Comparison between average weekly expenditure on different types of accommodation and rent officer mean weekly rents 1999/2000.
The local going rate for accommodation explains much of the variation between London boroughs.

Source: Audit Commission, based on information from the London Research Centre
Hence, the use of flat rates imposes rough justice on authorities. Those with high local rents struggle to contain costs within grant thresholds; those with lower rates are not encouraged to economise. A fairer system would take account of the local going rate for accommodation. It would compensate authorities who are out of pocket through high local rents; and it would impose greater financial discipline on those with lower local rents.

Reference rents prepared by rent officers appear to be a good proxy for rents in areas, and provide an objective assessment of the real cost of accommodation in each area. They may need to be used with some caution as local authorities’ ability to purchase accommodation at the rent levels may be limited by the strength of the local market. In some cases it may be necessary to allow for some local negotiation.

Recommendation

An allowance should be included in the grant threshold for local accommodation costs. For example, an allowance could be made for single adults equivalent to rent officers’ assessment of average rent per week for rooms, bedsits, shares and studios, and for families with children, the average rent per week for houses, maisonettes and flats with two bedrooms.

Controlling costs

A number of authorities visited by the Commission had tried to reduce the cost of accommodating people in the private sector, either by improving procurement arrangements, dispersing asylum seekers to less expensive areas or using alternative types of accommodation.

Active procurement

Where authorities have set up longer-term contracts with accommodation providers they have been able to reduce costs. Several good examples were found of authorities adopting a more strategic approach to securing affordable housing. The London Borough of Newham’s asylum team uses hotels for around 25 per cent of their adult asylum seekers. Of 319 placements, 258 are arranged under 6-monthly, renewable contracts, at an average weekly rate of between £70 and £98 for bed and breakfast (B&B) accommodation and £115 for full board. Such rates place Newham well within grant thresholds.

One central London borough significantly reduced its dependence on B&B accommodation, from 100 families in the 1999/2000 tax year to around 40 in the first 6 months of 2000/01, reducing unit costs from £380 to £320 per family per week. The London Borough of Lambeth also moved families out of hotel accommodation, costing in some cases over £1,000 a week, into private rented property arranged through local estate agents at a cost of around £200 a week. A number of asylum teams have appointed accommodation officers with a good knowledge of private-sector providers to negotiate more flexible arrangements, that allow authorities to move between providers, as both prices and the number of asylum seekers vary.
33. Despite better procurement practices, authorities continue to struggle to secure cheaper accommodation, not least because of market pressures. More recently, competition to find accommodation has increased as NASS has also been seeking similar accommodation and is better placed to enter into longer-term contracts. Uncertainty about the length of time that authorities are required to provide support for has discouraged many from contracting in this way. Policies have changed frequently, limiting authorities’ ability to plan ahead and secure long-term contracts with confidence [EXHIBIT 9, OVERLEAF].

Dispersal

34. The other main cost-saving approach available to local authorities in high cost areas like London is to disperse asylum seekers to lower-cost areas away from the capital. This approach is particularly useful where the supply of affordable bed and breakfast accommodation within the authority is limited or non-existent. While it is often easier to secure accommodation at a distance for single adults rather than families, some authorities have managed to arrange support for both groups in this way.

35. In the authorities looked at in this study, accommodation outside the area was either procured directly by the authority or through a dispersal scheme set up on a voluntary basis by the ALG, with support from the LGA in November 1999. The scheme is co-ordinated by the London Asylum Seekers Consortium (LASC) and was primarily designed to relieve pressure on London and the south-east by finding suitable placements in the rest of the country. On average, LASC has been able to find support at a cost of around £300 per week, per family, compared with an average of around £350 to £400 in central London.

36. Of the 32 London boroughs, 25 made substantial use of the LASC scheme. Although take-up was less than expected in 1999, for the period of December 1999 to December 2000, places were offered to 1,071 families and 3,818 single adults. The extent of the use of the scheme made by boroughs varied, however. Some boroughs have found that local accommodation prices are lower than those secured by LASC, although LASC provides a package inclusive of support.

37. From December 1999, it became possible to transfer the full responsibility for support to the receiving authority, with the receiving authority’s agreement. Authorities that did arrange dispersal have been able to reduce their accommodation costs, particularly those in relatively expensive areas such as central London. Before December 1999, dispersal was not without its problems, however, staff from both the environmental health department and the local authority asylum team often had to travel long distances to check on these arrangements to provide support, and to make sure that premises remained safe and suitable. Some authorities undertake a needs assessment to ensure that the individual or family is able to move to another area and still receive adequate support. Some very vulnerable people, for example, those with mental and physical health problems, still need to be looked after locally. Checks also had to be made to ensure that asylum seekers were actually staying where they were supposed to and that the authority was only paying for those it had agreed to support.
Asylum seeker legislation

There have been a number of changes to Government policy.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>Feb 1996</td>
<td>Change in immigration rules removed entitlement to benefit from asylum seekers who apply in-country or to those refused asylum but who are appealing.</td>
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<tr>
<td>Oct 1996</td>
<td>Challenge in High Court that local authorities had a duty under community care legislation to care for destitute asylum seekers. Collins judgment was that those local authorities had a duty to care for single adult asylum seekers under the National Assistance Act 1948. Local authorities also had obligations to destitute families and children under the Children Act 1989.</td>
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<tr>
<td>July 1997</td>
<td>Department of Health announcement that cash payments to asylum seekers as part of a local authority's care package were under review.</td>
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<tr>
<td>Dec 1997</td>
<td>Newham judgment allows authorities greater flexibility in housing – Newham maintained that they could only offer accommodation in which a package of services, for example, food/laundry, could be provided and that this was not available in borough. The judgment clarified that any type of accommodation could be used and also said a local authority should consult with asylum seekers and ensure that, where possible, their needs were met.</td>
</tr>
<tr>
<td>Feb 1998</td>
<td>Government introduced an order under section 9 of the Asylum and Immigration Act 1996 to allow authorities to use their own housing stock to house asylum seekers for whom they had a duty under the National Assistance Act 1948/Children Act 1989 and the Housing Act 1996. The Housing Corporation also modified its guidelines to enable local authority nominations to housing associations to be used.</td>
</tr>
<tr>
<td>Dec 1999</td>
<td>Asylum Support (interim provisions) Regulations come into force. Asylum applicants can be transferred for support to another local authority by mutual agreement (without the consent of the asylum seeker). Maximum cash payment is £10 per week for single adults/childless couples, no limit on cash for families.</td>
</tr>
<tr>
<td>April 2000</td>
<td>Immigration and Asylum Act 1999 comes into effect – new port-of-entry and in-country applicants become the responsibility of NASS. Existing cases to be transferred on a phased basis, with local authorities continuing to be responsible up to September, six months after they were expecting to have handed responsibility over to NASS.</td>
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</table>

Source: Audit Commission
38. In addition to arranging dispersal, the London Borough of Newham has fostered close links with several accredited providers, who arrange additional support. This includes free transport for asylum seekers to nearby shopping centres and schools and paying allowances on the authorities’ behalf. The quality of accommodation and access to good local services are key criteria in choosing providers, and the Borough’s asylum team makes regular visits to ensure that asylum seekers are getting the standard of care that the Borough is paying for. It also arranges checks by internal audit to ensure that money is being spent efficiently.

39. The difficulty now faced by LASC and authorities in the southeast is that accommodation outside London is becoming scarcer as providers face competing demands not only from NASS, but also from other local authorities under pressure to find more affordable accommodation. Some groups of asylum seekers are more difficult to disperse even where the receiving authority agrees to assume responsibility. In London this generally includes those who have become established in a borough – particularly families with children settled in school – which may explain why London boroughs tend to have a higher proportion of families [EXHIBIT 10]. Those with special needs, such as victims of psychological or physical abuse may need access to specialist support that is only available in the capital. NASS has in turn agreed to work to similar principles under the national dispersal scheme by making alternative arrangements to enable these sorts of cases to remain in, or near, London.

Local options

40. In some authorities asylum seeking families have been able to stay with family or friends who have already settled into existing communities. This is the cheapest option as, in such cases, authorities have only provided subsistence,
significantly reducing the overall cost of support. In Cardiff, for example, around 65 per cent of asylum seekers are of Somali origin and around 50 per cent stay with friends or family. This option is, of course, only available where there are existing ethnic communities. Health and safety issues have to be considered, however, as overcrowding may be a risk in certain circumstances.

41. Refugee housing associations and charities providing hostels can also help to relieve pressures on authorities. Birmingham City Council has made use of some accommodation provided on a non-profit basis by the voluntary sector. The cost of £130 per week per person included full board. Not all authorities have such organisations in their areas, and some such organisations already have other demands on their places. A number of authorities have also made use of privately owned hostels, providing asylum seekers with an inclusive weekly package of support. Although more suitable for single adults than families, this has helped already hard-pressed authorities to house asylum seekers [BOX B].

42. Social housing, provided by RSLs, can provide a further way of meeting temporary accommodation needs. However, while most local authorities have nomination agreements with RSLs, and can purchase accommodation, they are mainly used for permanent housing. Overall expenditure on RSL accommodation accounted for only a fraction of the total amount spent on housing in the 12 sites in 1999/2000, though the London Borough of Harrow managed to secure this accommodation for about 25 per cent of their families.

43. Some authorities have used voluntary or charitable organisations to provide care on their behalf. For example, Oaklands Refugee Centre in Southwark accommodates single adults referred from surrounding boroughs [BOX C].

Non-reclaimable costs

44. Whatever the form of accommodation used, the costs to local authorities rises significantly if they cannot re-claim them from the Home Office. This occurred in two ways:

- if asylum seekers spent less than a week in the accommodation; or
- if they remain in accommodation after receiving a negative decision.

45. Until December 1999, authorities could only claim for asylum seekers who were housed for a complete week or more. If asylum seekers were placed in
accommodation overnight, or for two or three days before moving on, the local authority carried the whole cost. While no figures are available, authorities close to ports or airports reported that the number of people being accommodated in this way was significant, and resulted in substantial costs. Cambridgeshire County Council reported that approximately one-third of the asylum seekers that it housed in temporary housing stayed less than seven days; the costs of support were then borne by social services. This sort of cost is no longer incurred as this service is now provided by NASS rather than by local authorities.

46. Under the terms of the Home Office grant regime, authorities can also not claim for asylum seekers who have received a negative decision on their application for asylum. However, the Home Office does not notify authorities about decisions. As a result, authorities may go on paying for several weeks after the decision and be unable to claim for this period. Adjustment to allow authorities to claim until they receive official notification from the Home Office would remove this problem. It would also provide the Home Office with a major incentive to get notifications out as quickly as possible.

Recommendation
The Home Office should notify local authorities of any decisions on claims. Authorities should be able to claim accommodation costs for single adults until the date that they receive official notification.
3. Subsistence

47. Asylum seekers without any means to support themselves need assistance to meet their day-to-day living needs. To discourage 'economic' migration, the Home Office grant only meets essential living needs, a term that is not defined in the grant regulations. Under the Immigration and Asylum Act 1999, it is also up to authorities themselves to determine what constitutes destitution, and therefore who should be supported. Support provided by authorities may include food and toiletries, English language and other educational support, clothing, bedding, travel warrants, bus passes and in some cases, furniture. Some may also help asylum seekers with money to travel to a solicitor for advice or to visit friends and family.

48. Authorities vary in the way that they provide subsistence and in the range and quality of support offered. Some include living needs within the support packages agreed with landlords, paying for full-board packages and including cash allowances for toiletries and other sundries, travel and language support. Others provide these services separately, with food parcels, distribution of clothing from charities, weekly language classes, travel warrants or bus passes, and bedding and basic furniture. A number of authorities have made use of voucher schemes in place of cash payments for subsistence. Until recently, local authorities have only been able to pay cash to families and a maximum of £10 to adults. While vouchers may ensure that all asylum seekers receive a set amount of food and other support, they have proved to be very unpopular. Vouchers may draw attention to asylum seekers who may already feel stigmatised. Cash payments allow asylum seekers more independence and can encourage self-sufficiency, but paying out cash does have a cost if it is to be administered securely.

49. Overall, the amount spent on subsistence was about £30 per week for adults and £80 per week for families in 1999/2000 [EXHIBIT 11]. However, some authorities report that they may be tending to underestimate the total support that they provide. Kensington and Chelsea, for example, estimated that it spent over £225,000 in 1999/2000 on supporting young adults that it could not claim. It is difficult to make meaningful comparisons between authorities because of a lack of detailed information on what is included under the term 'subsistence', and the different proportions of asylum seekers housed in full-board accommodation, who therefore do not need separate living expenses. For example, Harrow appears to have the highest weekly spending on subsistence for single adults, but their costs include £180,000 spent on disability support, domiciliary care and social services' assessment costs. This in turn raises important questions about the comparability of the figures. The cost of living does, of course, vary across the country, but the amount local authorities pay for subsistence is determined more by the type of support package that they arrange with providers – access to good transport and support from the voluntary sector being examples. For this reason, a standard approach to subsistence seems more equitable. The Home Office’s guidance for the new national dispersal scheme on the level of support that should be provided should help to standardise support and allow a flat rate to be applied across the country.
Recommendation
A fixed allowance should be included in the grant threshold for subsistence, with a higher allowance for families with children.

EXHIBIT 11
Subsistence costs per week of support for adults and families
The amount spent on subsistence was about £30 a week for adults and £80 a week for families in 1999/2000.

Source: Local authority data
4. Administration costs

50. Effective management can contribute to lower unit costs by, for example, strengthening procurement arrangements. Authorities also need to monitor the status of asylum seekers to ensure that they do not continue to support those who are no longer their responsibility. Monitoring is also important in order to ensure that asylum seekers continue to receive a good standard of care, wherever they are accommodated. Authorities also need to guard against fraud. The Commission’s recent paper, Protecting the Public Purse, drew attention to a significant new area of fraud where landlords have submitted false claims for housing non-existent asylum seekers. Several of the authorities visited undertake regular checks on the whereabouts of asylum seekers and on invoices submitted by landlords, to prevent such abuse.

51. Accurate information on the status of asylum seekers is the responsibility of the Home Office as well as of local authorities. At present, the Home Office only notifies the claimant, and not the local authority, of its decisions. The Audit Commission’s recent national report, Another Country, identified instances where the lack of information in authorities about decisions led to either housing benefit overpayments, or a lost opportunity to free up accommodation for new cases.

52. Better management of overall costs could potentially release savings that could be used to increase the level and quality of support available to asylum seekers and to promote the successful integration of those allowed to remain in the UK.

53. Unit costs for administration vary widely, with some authorities spending much more than others. The overall cost of administration, however, appears to be related to the numbers of asylum seekers supported, implying a flat-rate administration cost per head. However, there is some variation between authorities, even when the numbers supported are broadly the same. This may be explained by different financial and staffing arrangements in each authority. Some identify all of the relevant costs associated with the support of asylum seekers, including administration overheads, while others only take account of direct staff costs, again raising questions about the wide level of interpretation permitted under the Home Office grant regime. Authorities spending above the grant thresholds also have little incentive to include the full management costs of support. Conversely, authorities below grant thresholds may be including more than their administration costs.

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Striking the right balance in terms of the scale of management support is no easy task. Too few staff may not allow authorities to identify the best way to support asylum seekers, reduce accommodation costs and identify those who are no longer their responsibility. Too many staff may increase costs unnecessarily, although as the numbers supported fall, authorities will need to consider how long their asylum team needs to remain in place. It may be necessary to retain expertise as numbers fall to ensure that effective use can be made of vacancies and that there is an ‘orderly withdrawal’ from longer-term housing contracts. Authorities outside London with few asylum seekers claim higher costs, on average, for their asylum teams, although this is due to just one or two authorities with high costs – indicating the high overheads of maintaining a support team for small numbers of asylum seekers. A number of authorities have relied on agency or seconded staff so as to be able to react more quickly to any reduction in asylum seeker numbers, but such staff are more expensive.

55. Given the pattern in Exhibit 13, a flat-rate allowance of about £15-£20 per asylum seeker, per week for administration for both adults and families would be appropriate.

**Recommendation**
A fixed allowance should be included in the grant threshold for administration.

*Source: Local authority data*
EXHIBIT 13

Administration costs per week of support for adults and families, 1999/2000.

There is some variation between authorities even where the number of asylum seekers is broadly similar.

**Single adults**

<table>
<thead>
<tr>
<th>Cost per week (£)</th>
<th>London boroughs</th>
<th>Other authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ 5</td>
<td></td>
<td></td>
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<td>£ 10</td>
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<td></td>
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<tr>
<td>£ 15</td>
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<td></td>
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<tr>
<td>£ 20</td>
<td>Average = £13.90</td>
<td></td>
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<td>£ 25</td>
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<tr>
<td>£ 30</td>
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<td>£ 35</td>
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<tr>
<td>£ 40</td>
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<td>£ 45</td>
<td></td>
<td></td>
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<tr>
<td>£ 50</td>
<td></td>
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</tbody>
</table>

**Families with children**

<table>
<thead>
<tr>
<th>Cost per week (£)</th>
<th>London boroughs</th>
<th>Other authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>£ 0</td>
<td></td>
<td></td>
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<tr>
<td>£ 5</td>
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<tr>
<td>£ 10</td>
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<td></td>
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<tr>
<td>£ 15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>£ 20</td>
<td>Average = £12.40</td>
<td></td>
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<tr>
<td>£ 25</td>
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<tr>
<td>£ 30</td>
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<td>£ 35</td>
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<td>£ 45</td>
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<td></td>
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<tr>
<td>£ 50</td>
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<td></td>
</tr>
</tbody>
</table>

Source: Local authority data
5. Port-of-entry asylum seekers

56. Asylum seekers who claimed asylum immediately on entry to the UK – port-of-entry applicants – before 3 April 2000 without any means of support, were entitled to housing benefit and were covered by homelessness legislation provided that they met ‘priority need criteria’. Where they did, local authorities had a duty to provide housing, as they did for any other homeless person. The full cost of supporting homeless people was not always met by housing benefits since rent levels sometimes exceeded housing benefit thresholds, risking further costs to authorities [BOX D].

57. For London, the housing benefit threshold was set at £150 a week in 1999/2000, so that spending on any accommodation above that level attracted far less subsidy. Some authorities were therefore losing out by supporting port-of-entry asylum seekers as well as spending above the Home Office grant threshold for in-country asylum seekers (£140 a week). The housing benefit threshold has recently been raised to £200 a week to offset this burden.

58. As additional costs that arise through the housing benefit shortfall are not unique to asylum seekers, it is difficult to separately quantify the net cost to each authority. Few of the 12 authorities visited had kept separate records of costs for port-of-entry asylum seekers. However, the ALG and the GLA’s Research Centre have collected data on the number of port-of-entry asylum seekers housed by each London borough, and have estimated the potential effect of port-of-entry cases.

59. According to their figures, asylum seekers accounted for just under one-quarter (around 23 per cent) of all homeless households in London. The potential cost of these numbers on councils’ homeless budgets has then been estimated by taking account of the gap between rents actually paid and housing benefit payments received by each
authority. From this, we estimate a cost to boroughs’ general funds of approximately £20 million, although it should be emphasised that this is based on assumed average rent levels and that subsidy thresholds apply equally in all cases.

60. Several boroughs in London have looked into these costs in more detail, calculating an average rent for each type of accommodation and then deducting the average housing benefit subsidy received, to arrive at a net cost to the authority. The London Borough of Camden has estimated a net cost of £3.8 million for 1999/2000, and Westminster has estimated that, of a total cost to the Council for homelessness of around £9 million, around £1.8 million is attributable to asylum seekers.

61. Port-of-entry asylum seekers have a further effect. They compete for the same types of temporary housing needed for in-country applicants, at a time when both the supply and price of temporary housing has been under pressure. Authorities facing acute demand may thus experience a further pressure on prices, reducing their capacity to meet demand from other homeless people without resorting to the use of more expensive housing. Delays on making decisions on claims compound this problem, lengthening the amount of time asylum seekers need to be supported.
6. Conclusion

62. Over the last few years the number of asylum seekers has increased dramatically and placed considerable demands on a number of authorities, particularly those in London. Improvements in decision times, coupled with the new centralised support arrangements, will lessen these demands over time. The rapid growth in the number of new arrivals, just prior to the introduction of the new support arrangements, inevitably means that some authorities will continue to provide support for some time to come.

63. As this paper has highlighted there are a number of steps that authorities have taken to reduce costs and, as a result, provide support within the grant thresholds. However, some authorities, especially London boroughs, are in a difficult position with high numbers of asylum seekers and little room for manoeuvre because of the lack of locally available, affordable accommodation. This has led many to question the current grant regime with its standard thresholds of £140 for adults and £240 (£300 in London) for families.

64. This report supports this concern. Accommodation accounts for two-thirds of the cost of supporting asylum seekers. Nearly all accommodation for in-country asylum seekers is purchased from the private sector in the open market. Market rates vary widely across the country and prices paid for accommodation follow these market rates closely. A fairer way of compensating authorities would be to set thresholds based on local market rates as assessed independently by the rent service. This would inevitably mean that the Home Office would need to increase rates in central London, but rates would be reduced elsewhere. Authorities currently paying above market rates in cheaper areas need to take steps to control their accommodation costs along the lines set out in this paper. On top of these variable thresholds for accommodation, fixed rates for subsistence and administration would seem sensible. The detailed figures would need to be discussed and agreed between the Home Office and local government agencies.

65. These adjustments to the grant regime would be relatively straightforward to administer. They should lead to fairer compensation for the communities that have borne the brunt of supporting asylum seekers, and therefore reduce one source of tension in providing accommodation and support to these very vulnerable people.
Recommendations

1. An allowance should be included in the grant threshold for local accommodation costs. For example, an allowance could be made for single adults equivalent to rent officers’ assessment of average rent per week for rooms, bedsits, shares and studios; and for families with children, the average rent per week for houses, maisonettes and flats with two bedrooms.

2. The Home Office should notify local authorities of any decisions on claims. Authorities should be able to claim accommodation costs for single adults until the date that they receive official notification from the Home Office of a negative decision to an asylum application.

3. A fixed allowance should be included in the grant threshold for subsistence, with a higher allowance for families with children.

4. A fixed allowance should be included in the grant threshold for administration.
## Appendix 1

**Grant entitlements**

<table>
<thead>
<tr>
<th>Type of grant?</th>
<th>Asylum seeker (single adults and families with children) grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>When did it apply?</td>
<td>1 April 1999 to 5 December 1999.</td>
</tr>
<tr>
<td>Who pays for it?</td>
<td>The Home Office or the National Assembly for Wales, under the National Assistance Act 1948 and the Children Act 1989.</td>
</tr>
<tr>
<td>Who is it for?</td>
<td>Single adults over 18 and families with children (unaccompanied children are dealt with under a separate grant from the Department of Health). Asylum seekers are people who have made an application for refugee status with the Home Office and who are either awaiting a decision on asylum status or the outcome of an appeal. They are not entitled to social security benefits or housing assistance.</td>
</tr>
<tr>
<td>How much?</td>
<td>Up to a maximum of £140 per week and £240 for each single adult asylum seeker or family respectively, on the last working day of each week.</td>
</tr>
<tr>
<td>What expenditure does it cover?</td>
<td>Accommodation and board, or accommodation only with meals or food provided separately (either groceries where cooking facilities are available or meals on wheels). Administration costs, together with any social services assessment costs. Costs involved in commissioning premises to be used to accommodate adult asylum seekers (where authorities have incurred infrastructure costs in commissioning or adapting premises for the accommodation of asylum seekers, up to a maximum of £10 per adult asylum seeker per week).</td>
</tr>
<tr>
<td>What is excluded?</td>
<td>Cash payments to single adults were not permitted under the National Assistance Act (NAA) 1948. The provision for cigarettes or alcohol is not included under the NAA.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of grant?</th>
<th>Asylum seeker support grant – Interim Provisions Regulation 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>When did it apply?</td>
<td>6 December 1999 to 31 March 2000.</td>
</tr>
<tr>
<td>Who is it for?</td>
<td>Single adults over 18 and families with children, classed as asylum seekers. People claiming asylum at port of entry on or after 3 April 2000 are the responsibility of the NASS. Asylum seekers being supported under these interim arrangements continue to be supported until arrangements are made to transfer them to the new scheme.</td>
</tr>
</tbody>
</table>
How much? Up to a maximum of £140 per week for each lone adult asylum seeker and £240 for each family (£300 in London). These amounts are reduced prorata where support is provided for periods of less than one week, whereas before 6 December 2000, local authorities could only be reimbursed for support provided for complete weeks. Underspends on single adult asylum seekers may be offset against overspends on families and vice versa.

What expenditure does it cover? As above, but regulations refer to support to meet the essential living needs of the asylum seeker. ‘Essential living needs’ are not defined, however. Administration costs, together with any social services assessment costs are included, as are reasonable travelling expenses to attend hearings or interviews in connection with a claim for asylum. Subsistence is provided as a combination of vouchers and cash payments (cash payments are limited to £10 per week). This grant does not refer to any allowance for infrastructure costs in commissioning or adapting premises.

What is excluded? Cash payments to single adults are not permitted under the NAA 1948.

The provision of cigarettes or alcohol is not included under the NAA.

It is important to note that there is an overall ceiling on the grant, and therefore the total amount payable to an authority may be restricted if the total gross expenditure of all authorities exceeds this amount.

Since 31 March 2000, the Home Office continues to administer grants for adults and families who remain the responsibility of local authorities.
The Audit Commission has produced a number of studies covering related issues. The following may be of interest to readers of this paper:

**Another Country**
**Implementing Dispersal under the Immigration and Asylum Act 1999**
The UK has a proud history of providing sanctuary for those fleeing war or persecution and many refugees and their communities have made an enormous contribution to this country. However, in recent years, the growing number of asylum seekers arriving in the UK has put the asylum system under severe strain. This report aims to help local agencies to plan and deliver support services for asylum seekers and refugees. It examines the new support framework for asylum seekers and the lessons that have been learned from voluntary dispersal.


**Protecting the Public Purse**
**Ensuring Financial Probity in Local Government**
The results of the Commission’s annual survey of fraud and corruption in local government are published in this most recent update to the original 1993 report. Over 95 per cent of councils responded to the survey, and the key findings identify the main types of detected fraud and their value compared with previous years. This publication identifies the key risk areas and highlights new trends and areas of increasing risk. It also examines the measures used to prevent and detect fraud, and the fresh challenges created by legislation like the Local Government Act 2000.

*Update, 2000, ISBN 1862402655, £10*

**A New City**
**Supporting Asylum Seekers & Refugees in London**
London has a long history of providing sanctuary to asylum seekers, but rising numbers of arrivals have increased pressures on services in the capital. The Immigration and Asylum Act 1999 introduced a national dispersal policy, partly to ease pressure on London, but asylum seekers and refugees will remain an important client group in the capital. Some local agencies have developed specific support services for asylum seekers and refugees in London, but good practice is not universal and a number of challenges must be met.

*Briefing, 2000, ISBN 1862402396, £5*

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Local government continues to play a vital role in supporting asylum seekers. Although local authorities that provide housing and subsistence to asylum seekers are able to recover their costs from a central government grant, some spend well above this grant, particularly those in central London, while others spend significantly less.

The fundamental reason for such variation is the extent to which authorities can draw on affordable, suitable, temporary housing. Most authorities have to rely on accommodation that is provided by the private sector. Some authorities have been able to control costs by negotiating cost-effective packages of support that provide asylum seekers with a good service. But others, struggling with high numbers of asylum seekers and a lack of affordable accommodation, still face high costs no matter how efficient they strive to be.

The Audit Commission aims to help local authorities by providing examples of good practice in managing costs, not only to help them to stay within the grant threshold now, but also to allow them to better manage their support role within the asylum care arrangements.

This paper recommends a move away from a flat-rate grant regime to one that recognises the differences between average housing costs around the country. It also recommends a standard approach to subsistence and administration, so that asylum seekers, wherever they may be, can expect the same standard of care.