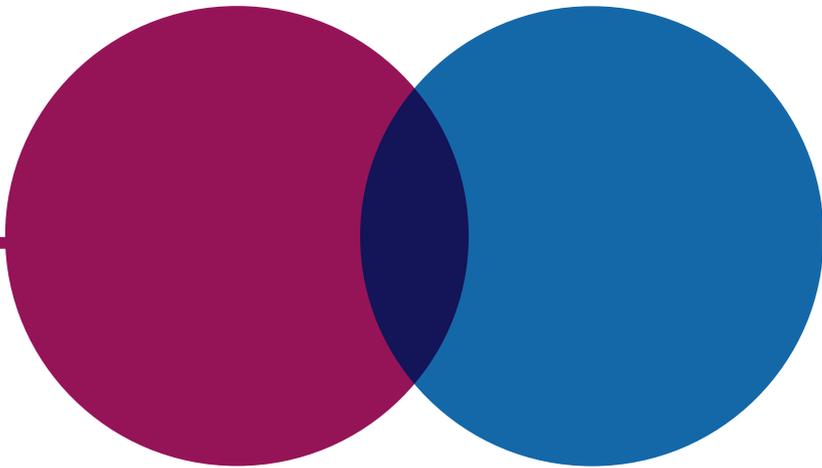




National Audit Office



REPORT

# The Home Office's asylum accommodation contracts

A briefing by the National Audit Office

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## What this briefing is about

**1** The Home Office is responsible for asylum and protection in the UK, including ensuring compliance with the UK's legal commitments. It is responsible for supporting destitute people seeking asylum, while it makes a decision on their asylum claim, by providing financial support and accommodation. The Home Office tries to source houses or flats for most of its accommodation, but when these are not available it uses hotels as a contingency measure.

**2** From 2012 to September 2019 the Home Office provided support through six regional contracts, known as COMPASS. Through these contracts, suppliers identified and managed asylum accommodation on behalf of the Home Office. In 2019, the Home Office replaced COMPASS with seven similar regional contracts known as the Asylum Accommodation and Support Contracts (AASCs), plus a national contract for a new helpline and support service (AIRE – Advice, Issue Reporting and Eligibility). The Home Office awarded the AASCs to three suppliers – Clearsprings Ready Homes (Clearsprings), Mears Group (Mears) and Serco – who each took on two or three UK regions. Migrant Help won the AIRE contract.

**3** The National Audit Office has previously reported on the Home Office's contracts for asylum accommodation. In 2014, we examined the transition to COMPASS contracts and found that suppliers had struggled to establish their supply chains resulting in poor performance, delays and additional costs.<sup>1</sup> In 2020, we assessed the replacement of COMPASS contracts with AASCs and found that performance was broadly in line with the contract, but that the Home Office faced challenges in adapting services to changing demand.<sup>2</sup>

**4** The Home Office originally estimated that the total cost of the AASCs would be £4.5 billion over their 10-year term. Since then, the number of people seeking asylum and being accommodated by the Home Office has increased significantly. In 2024-25, the Home Office spent an estimated £1.7 billion on the AASCs, and its current estimate of total spend over 10 years is £15.3 billion.

<sup>1</sup> Comptroller and Auditor General, *COMPASS contracts for the provision of accommodation for asylum seekers*, Session 2013-14, HC 880, National Audit Office, January 2014.

<sup>2</sup> Comptroller and Auditor General, *Asylum accommodation and support*, Session 2019–2021, HC 375, National Audit Office, July 2020.

## Scope

**5** This briefing has been prepared for the Home Affairs Committee as part of its inquiry into the delivery of asylum accommodation. It covers the main contracts for asylum accommodation and support.

**6** It describes:

- the Home Office's approach to accommodating people seeking asylum and the services provided by the contracts (Part One);
- the performance of the contracts and their profitability (Part Two); and
- the Home Office's oversight of the contracts (Part Three).

**7** This briefing does not seek to evaluate the Home Office's management or oversight of the contracts or to conclude on their value for money. It also does not examine the Home Office's procurement of the contracts, which we covered in our 2020 report. This briefing uses historic data on performance and profitability reported by suppliers to the Home Office. We have not audited these data and they are subject to an ongoing audit by the Home Office.

# Summary

## Key findings

**8 The Home Office's total spend on asylum accommodation is more than planned and it has few levers to control costs.** The Home Office is responsible for supporting destitute people seeking asylum. It provides 'initial' asylum accommodation while it determines the need to provide ongoing support and 'dispersed' accommodation while it determines asylum claims. It delivers this through seven regional contracts. It originally estimated that the total contract cost would be £4.5 billion over 10 years. However, the current estimated total is £15.3 billion over the same period. The number of people seeking asylum who are accommodated by the Home Office increased from around 47,000 in December 2019 to around 110,000 in December 2024. People accommodated in hotels account for around 35% of all people in asylum accommodation and for around 76% of the annual cost of the contracts (£1.3 billion out of an estimated £1.7 billion in 2024-25). The Home Office has few levers to control the cost of hotels which may be more profitable for the suppliers than other forms of accommodation. It began using vessels and ex-military bases (large sites) in 2020 as an alternative to hotels but has now begun to close these (paragraphs 1.2 to 1.6, 1.14, 1.18 to 1.21 and Figures 1 to 4).

**9 The Home Office has made progress in achieving a more proportionate distribution of people seeking asylum across the country, but 70 local authorities (19% of them) do not have any asylum seekers in initial or dispersed accommodation as of December 2024.** All local authorities in England, Scotland and Wales have updated targets for accepting people seeking asylum. During 2024, the Home Office reduced the number with no accommodated asylum seekers from 30% (109 local authorities in England, Scotland, Wales and Northern Ireland) in January to 19% (70) in December (paragraphs 1.18 to 1.19).<sup>3</sup>

<sup>3</sup> The Home Office includes Northern Ireland in its reporting. All 350 local authorities in England, Scotland and Wales have dispersal targets. The 11 districts in Northern Ireland do not have dispersal targets.

**10 Between September 2021 and August 2024, the 'service credit' points awarded for underperformance of the accommodation contracts averaged 3% of the maximum possible. As of 31 March 2025, the Home Office has deducted £4 million from suppliers' revenue since 2019-20 for underperformance.<sup>4</sup>**

The Home Office receives performance data from the Asylum Accommodation and Support Contract (AASC) suppliers. Data show that suppliers usually met targets for providing initial accommodation and maintaining properties, but sometimes missed targets for identifying suitable dispersed accommodation and transporting people. Performance data suggest that overall service credit points awarded for underperformance ranged from 0% to 7.8% of the maximum possible between September 2021 and August 2024. This does not reflect performance at large sites, which the Home Office does not measure. As of 31 March 2025, the Home Office has deducted £4 million from the suppliers' revenue (less than 1% of the suppliers' revenue from the contracts) in response to the reported underperformance since 2019.<sup>5</sup> The service credit points for the AIRE (Advice, Issue Reporting and Eligibility) service were 14% to 50% (January 2022 to December 2024), and despite relaxing the standard for answering calls to the call centre, it has never met the amended timescales (paragraphs 2.2 to 2.10 and Figures 5 to 8).

**11 AASC supplier profit margin, as reported by suppliers, has averaged 7%.**

Supplier profit is at the lower end of the Home Office's original estimate (5% to 13%) but each supplier's reported profit is slightly higher than the operating profit reported in its accounts (3% to 7%). Data from suppliers suggest that hotels may be more profitable than other forms of accommodation. In 2024, the Home Office commissioned a third party to audit the way suppliers report performance data, and the amount of profit they declared. Profit-sharing thresholds differ across contracts and the data reported by suppliers show that five contracts have exceeded their profit share thresholds. This is subject to the Home Office's audit, and the Home Office expects to agree the amount of profit to be returned once it is complete in June 2025. The AIRE service has reported profit of 5%, below the threshold to return profit (paragraphs 1.18, 2.12 to 2.15 and Figure 9).

<sup>4</sup> Performance against each key performance indicator (KPI) is converted to a number of 'service credit' points, with zero points awarded if the target is met, and higher points added for greater levels of underperformance. The contract caps the number of points that can be awarded. Based on the data provided by suppliers, the points awarded for underperformance averaged 3% of the maximum that could have been awarded had all seven regions missed each KPI by the maximum amount each month.

<sup>5</sup> Due to a time lag between agreeing performance and applying associated service credits, deductions are not always applied in the year that underperformance occurred.

**12 The Home Office has governance and contract management processes**

**in place and intends to strengthen its financial controls.** It has contract management plans, regular governance forums and risk registers in place to manage each contract. It has around 120.5 employees (on a full-time equivalent basis) managing the contracts, including around 50 in its service delivery teams and 60 in a dedicated assurance team. It also has 10.5 in a wider commercial contract management team. Staff numbers have approximately doubled since 2023. The Home Office has made use of open book clauses to receive data on suppliers' costs and profits and told us it made some use of should-cost modelling to challenge the cost of hotels. It analyses assurance activity, such as property inspections, to identify trends. During our audit of the Home Office's 2023-24 financial statements, we found issues with evidence supporting hotel invoicing, and the Home Office committed to improve its processes (paragraphs 3.2 to 3.7).

**13 The Home Office has established a hub to gather data on safeguarding incidents but does not systematically collect data on outcomes.**

The legal responsibility for safeguarding people seeking asylum lies with the relevant local authority, but the Home Office recognises the need to safeguard those in its accommodation. The contracts require the suppliers to proactively monitor the people within their care to identify those who may have specific safeguarding needs and require compliance with policies. But the Home Office does not measure their performance, and the contracts do not specify performance deductions related to safeguarding outcomes. The Home Office told us that its safeguarding hub receives up to 4,000 referrals a week. The Home Office has started to categorise referrals but does not consistently produce management information that would allow it to identify trends. Separately it received over 700 notifications from suppliers about urgent or serious incidents between July 2024 and January 2025. The Home Office has produced high-level analysis of these (paragraphs 3.8 to 3.10).

**14 Reviews and audits have recommended improvements to contract management, safeguarding and data monitoring which the Home Office has taken steps to respond to.**

We analysed recommendations from the National Audit Office, Committee of Public Accounts, Independent Chief Inspector of Borders and Immigration, and the Government Internal Audit Agency. Recommendations cover themes such as contract management, planning, safeguarding, risk management and data monitoring. The Home Office has responded to recommendations, for example, by developing a cost model to support AASC renegotiations, publishing a safeguarding framework, and evaluating its data management system. It also has work ongoing in a number of areas such as reviews of its 10-year accommodation strategy, risk management framework, AASC key performance indicators and supplier safeguarding policies (paragraphs 3.11 to 3.12 and Figure 10).