Future Governance Forum

# Restoring Order and Reducing Costs

## How to close asylum hotels and save up to £5 billion

November 2025

# Contents

# About The Future Governance Forum

The Future Governance Forum (FGF) is a progressive, non-partisan think tank focused on reforming the state with the ultimate goal of renewing the nation. We make politically credible recommendations for reforms that can be delivered nationally and locally, build strong networks to test new ideas, and collaborate and use our relationships with public, private and social sector leaders to innovate.

Our current programmes of work explore:

- In Power: how can we reimagine government to make it fit for the multi-dimensional challenges of the mid-21st Century?
- Mission Critical: how can we translate mission-driven government from ambition into action?
- Impactful Devolution: how can we meaningfully and permanently devolve power to regional and local levels in one of the most centralised countries in the world?
- Rebuilding the Nation: how can we utilise innovative models of public and private investment to spur growth and rebuild our crumbling infrastructure?
- Institutional Renewal: how can we reform existing state institutions, and establish new ones, so they are fit for purpose and built to last?

By prioritising these questions we are thinking about new progressive models of governance for the long term. Our working model is to convene experts and find ways in which we can bring perspectives from very different organisations together to suggest ways in which the “how” of government could be more effective at every level.

# About FGF’s Future of Asylum Project

FGF’s ‘Future of Asylum’ project is seeking answers to the question: in today’s world, how can the UK deliver an asylum system that works effectively, is consistent with international law, and sustains public confidence.

# About the contributors

This report, published by The Future Governance Forum, draws on the work of **Nesta**, **Labour Together**, **the Refugee Council** and housing expert **Kate Wareing**.

FGF's 'Future of Asylum' project is led by Beth Gardiner-Smith and Emily Graham.

**Beth Gardiner-Smith** is a Senior Policy Associate at The Future Governance Forum and a non-resident fellow of the Migration Policy Institute. She was the founding CEO of Safe Passage International, a European organisation that provides legal advice on safe routes to children and adults seeking protection in Europe.

**Emily Graham** is a Policy Associate at The Future Governance Forum. She previously led Safe Passage International's policy and public affairs work and has a background in the voluntary sector, focusing on social inclusion, protection and human rights. Emily is also a Trustee of Care Rights UK.

# Introduction

The accommodation crisis in the asylum system is damaging trust in the government, providing ammunition to those looking to undermine refugee protection in the UK, and costing £5.77m a day[1] - money that could be going to other public priorities. Fixing it must be one of the most urgent priorities for this government.

The asylum backlog reached 70,532 cases by the end of June 2025, with a further 51,000 asylum appeals waiting to be heard by the First Tier Tribunal. This is in part due to decisions made by the previous government to slow processing[2] as well as an increase in the number of asylum claims. The rising backlog has meant there is not enough accommodation for those awaiting decisions, whom the government has a legal duty to house and support if they are assessed as being destitute.[3] Despite the government recently announcing their intention to make support discretionary, the majority of people seeking asylum will continue to be eligible for support. As of June 2025 over 32,000 are having to be housed in 'contingency' hotels at a cost of up to £170 a night per person.[4] The government is currently planning to end the use of hotels by March 2029.

This report sets out a plan to close the hotels almost three years earlier than the government's existing timeline, rebuild confidence in the system and re-establish government's control over a fair and effective asylum system.

It draws on the work of the Refugee Council, The Future Governance Forum, Kate Wareing, leading academics, Labour Together and Nesta. It begins with a brief summary of the plan, before stepping through each of the key steps within it, in more detail.

---

[1] Home Office, Annual Report and Accounts 2024-2025 (published 17 July 2025)

[2] The Illegal Migration Act 2023 (IMA 2023) and Safety of Rwanda (Asylum and Migration) Act 2024 effectively halted processing of any migrants. Labour undid these after the election, bringing the number of cases waiting for an initial decision to be made down by 18% between July 2024 and June 2025.
See The Migration Observatory, The UK's asylum backlog (28 April 2025)

[3] As set out in the 1999 Immigration and Asylum Act

[4] This is slightly up on the 29,585 just before the last election, and down from a peak of 56,042 at the end of September 2023

## A plan to close hotels before summer 2026

We propose a three step plan to close hotels before summer 2026, reduce the long run costs of the asylum system and invest in the renewal of communities and decent housing stock:

1. **Restore order**

   Radically cut the backlog and close hotels by granting limited leave to asylum seekers who are near certain to be successful in their claim.  It's one of the ways the previous Labour government dealt with the huge backlog in the 2000s.

2. **Rebuild confidence and reduce costs**

   Launch a new community hosting scheme that allows community groups, faith groups and private individuals to volunteer to host security-vetted asylum seekers as they wait for a decision. It would build on the success of *Homes for Ukraine* and similar schemes in the US, Australia and Canada - reducing costs and improving public support.

3. **Renew communities by investing savings**

   The measures above could save  £3-5 billion (Annex 1). A portion of these hotel savings could be repurposed to establish a new capital fund for 10,000+ homes, which would be an investment for the nation's most vulnerable in the long-term. In addition, a one-off fund could be made available for investment in those communities where hotels have been located.

## Step One: Restore order by getting people out of the backlog and out of hotels

Roughly 49% of people in the backlog will ultimately be granted asylum, but for some groups it will be much higher - for Sudanese refugees for example, the grant rate is as high as 98%.[5]Eritreans, Syrians, Afghans and Iranians have also been very likely to be granted asylum. In the meantime they remain in hotels without access to work, unable to contribute.

The government could grant the 32,000 nationals from these five countries, limited leave to remain (LLR), subject to security checks, getting them out of the backlog and off state support quickly and efficiently. The majority would not be eligible for social housing, and with permission to work, would not have recourse to public funds and would not be supported by the state. Australia, Canada and Sweden all make provision for those on limited leave visas to work. The numbers mean this policy alone could eliminate the need for hotels to be used as contingency housing by summer 2026, bringing forward the government's own 2029 goal by three years.[6]

The Home Office already collects most of the information needed to conduct security checks when people first enter the UK. The decision to grant limited leave wouldn't rely on a full asylum determination process, although where relevant someone's asylum claim could still be assessed in full, as a lower priority, during their limited leave to remain. This approach would free up caseworkers in the short-term to focus on clearing the hardest parts of the backlog.

There is precedent for this approach. Ukrainians, Afghans and British Nationals (Overseas) from Hong Kong entering the UK under nationality-specific schemes have been granted limited leave visas outside the normal asylum and refugee processes under consecutive Conservative governments. 'Temporary permission to stay' already exists for victims of modern slavery and trafficking too.

This would be different to the new temporary protection status, recently announced by the government, which will apply to recognised refugees.

Limiting the scheme to those in the asylum system as of June 2025 would be consistent with its purpose as a one-off pressure valve in the system. With other measures to improve the speed and accuracy of processing and appeals critical to restoring credibility longer-term.

---

[5] How many people are granted asylum in the UK?, Home Office, 20 October 2025

[6]At the end of June 2025, 12,719 of people in hotels were from the five countries,19,388 were in Home Office dispersal accommodation & 810 in other contingency accommodation = 32,917 people in asylum accommodation, 858 over the number of people in hotels at that time.

Phasing security checks and visa issuance would avoid flooding Local Authorities with demand and a peak in pressures on the private rental market. Some of the money saved through hotel closure could be used for rent deposit schemes, speeding up people's access to the housing market and avoiding the risk of street homelessness.

This measure does not come without political risks about how it could be construed, however there are important differences to, for instance, the backlog clearances in the early 2000s under the previous Labour government, which came under some criticism at the time. That decision granted exceptional leave for up to 4 years after which individuals were eligible for Indefinite Leave to Remain (ILR). Under this proposed scheme, individuals' asylum claims could continue in conjunction, where relevant, and if eventually refused individuals would be subject to return. On the other hand, hotels remain hugely unpopular and while closing hotels in this way risks criticism, it would enable the government to start to rebuild trust within those communities.

## Step two: Rebuild confidence and reduce costs by launching a new community hosting scheme

*Homes for Ukraine* demonstrated a massive public willingness to host people in need of protection. By January 2024, around 74,000 sponsors had allowed 141,000 Ukrainians to arrive on temporary visas. 60% said they would consider hosting people from other countries if there was a future refugee crisis. Faith groups, charities and businesses were critical enablers of the Vulnerable Person Resettlement Scheme which resettled over 20,000 Syrian refugees, and faith-based groups make up two-thirds of those offering support to refugees through the Community Sponsorship Scheme.[7] This capacity for compassion is undersold in dominant media narratives and under-tapped in its potential to provide alternative housing and support.

Under a new community hosting scheme, those who are awaiting asylum decisions and who have been security checked by the Home Office could be selected by communities for hosting. Others would continue to be housed in temporary 'dispersal' accommodation as at present (given hotel closures could be brought about through step one). The scheme would rely on communities to set the level of demand, if even a fifth of those who participated in Homes for Ukraine and said they would host again were willing to, it would represent half of those currently in hotels[8].

This is not a new idea. Schemes like this have run successfully in Canada, the US and Australia, as well as the UK. It would require:

- Conducting security checks and designing the scheme to maximise choice, ease and pace for potential hosts. In the early days in particular, this would include identifying manageable cases for hosting , i.e. family size.
- Rapid digital application and management processes to make it easy for hosts to offer a newcomer accommodation and support. It can facilitate pre-hosting contact too, making logistics easier and supporting expectation-setting and host / hostee connection.

[7] Independent Chief Inspector of Borders and Immigration, An inspection of UK Refugee Resettlement Schemes, November 2019 – May 2020 (published November 2020)
[8] 60% of 74,000 hosts said they would host again, equalling 45,000. 9000 of these – one fifth – could host ~17,000 asylum seekers based on Homes for Ukraine hosting statistics

- Identifying and leveraging existing ties – including faith – accelerates placements[9] and improves outcomes, as does sharing anonymised information about profiles and allowing hosts to choose who they welcome.[10]
- Small financial incentives to encourage hosts and support local engagement, whether through "thank you" payments, room and food stipends, or community-level grants.
- Fast-tracked asylum processing to assure hosts that stays will be time-limited, reducing drop off and sustaining uptake.
- Philanthropic partnerships and business support that can mobilise communities and faith groups, including by funding a coalition of NGOs to act as a coordinating committee who can appoint delivery partners in communities to enable funds to flow freely.

While the domestic political environment now is different to that around the wars in Ukraine, Syria and Afghanistan, a relatively small number of hosts could make a sizeable difference. A public communications strategy could also help transform hotel residents from a politicised group into 'neighbours in waiting'.

The recent government announcement of the intention to expand the use of Community Sponsorship also provides an opportunity to think differently about leveraging community interest in hosting and sponsoring refugees.

[9] The scheme empowered small "Sponsor Circles" – often with prior ties to the Afghan evacuees – to provide housing and support. Many in the UK's hotel populations are Afghan and similar ties through veterans, diaspora communities or extended families, likely exist and could be activated quickly.
[10] As demonstrated in Canada's BVOR program, allowing sponsors to browse profiles and select from among cases, fosters a sense of ownership and increases investment in integration successes.

## Step three: Renew communities by investing savings into communities and decent housing stock

For a neighbourhood, an asylum hotel is often the most visible indication of state intervention in their area. It is emblematic of a system that's not working  and which they feel prioritises the needs of newcomers over the needs of existing communities. Closing hotels will be a success, restoring order to a broken system and saving the taxpayer billions, but it won't feel like much of a success to many. People won't notice the savings, which will get hoovered back into HM Treasury. If they don't notice them, they likely won't believe it. And for those areas with a hotel, there's every chance they're left with a boarded up hotel waiting to be sold and frustrations they're just expected to move on from.

Having cut asylum hotel costs by £3-5 billion, the government could fund schemes that directly and transparently benefit  communities who have hosted the hotels and invest in better housing for the UK's most vulnerable families in the longer term. These could include a) a new fund for areas that have hosted asylum hotels, and b) a capital investment fund using just some of the hotel savings to increase stocks of decent affordable housing.

### A. New £1 billion fund for restoring and renewing community assets in 250 areas that had an asylum hotel

A one off new capital fund could be established by The Treasury and the Ministry for Housing, Communities and Local Government (MHCLG), totalling £1 billion to match the size of annual savings made from the closure of hotels.

The fund would support 250 places where hotels have been closed with around £4 million each to invest in community assets. These places could use the money to invest in new infrastructure (such as a children's play park or a community garden), refurbish existing infrastructure (such as sports or social clubs) or they could use it to bring local facilities into public ownership (such as pubs, shops or the hotel itself). All neighbourhoods that have hosted an asylum hotel would be eligible, but ranked on a set of criteria that identifies the 250 most in need. In practice, this could be done by removing those hotels closest to major transport hubs/airports and those in affluent urban areas like Chelsea and Westminster.

Decisions on how to allocate the money in neighbourhoods should be led by communities, for instance through existing Community Foundations or new Neighbourhood Boards (as being established in the Plan for Neighbourhoods).

Government should set a pre-approved list of interventions, including new and refurbished community assets or bringing existing facilities under community ownership (in effect replacing the old Community Ownership Fund). The funds should be allocated to the *neighbourhood* in which the hotel was located, rather than the local authority (with neighbourhood defined in the same way as in the Plan for Neighbourhoods).

Funding should be spent within 18 months, unless agreed by exception. Pace and ambition is key, so providing a deadline should incentivise areas to spend the money in a small number of larger projects rather than a large number of small projects over multiple years.

## B. £1.75 billion fund to add 14,000 to 16,000 warm and energy efficient homes to the nation's housing stock

Given the UK's low stocks of quality temporary housing, hotel spaces vacated by asylum seekers may end up being re-booked by local authorities to house other households at risk of homelessness. Using savings from hotel closure to increase the overall supply of decent housing in the long-term is an investment in prevention and the community.

As a result of the lack of affordable homes, over 1.3 million people are on waiting lists for council or housing association homes[11] and more than 169,000 children are living in temporary accommodation,[12] much of which is of poor quality and unsuitable.

The capital investment fund of £1.75 billion could come directly from asylum savings, and be added to the new fund in MHCLG, held jointly with the Home Office. It would provide Local Authorities and housing associations with a grant (small capital subsidy) to combine with their own borrowing to buy homes, renovate and insulate them. These homes would be let as temporary housing at controlled rents fixed to Local Housing Allowance (LHA). Relatively little capital subsidy is needed for local authorities to purchase properties alongside borrowing.[13] At LHA rent levels seven local authorities could break even without grant, including Bradford, Slough

[11] MHCLG, Live tables on rents, lettings and tenancies, Gov.uk, updated June 2025.
[12] MHCLG, Statutory homelessness in England: January to March 2025, Gov.uk, 31 July 2025.
[13] Kate Wareing and Bethany Eckley, An alternative model for funding asylum and temporary housing: building a more cost effective and humane system (August 2024)
Kate Wareing and Bethany Eckley, "Lemons into lemonade: How to get out of asylum hotels while easing the temporary accommodation crisis", *The Future of Asylum – A vision for renewal* (September 2025)

and Southampton. A grant of under £30,000 would work for a further 28 local authority areas.

Funds should be made available to councils and housing associations (HAs) in exchange for nomination rights over 5 years. This enables councils and HAs to determine where best to place asylum families, with sensitivity to local cohesion, for example existing local families needing adaptations or a bigger home could be placed in newly renovated homes, with asylum seekers placed within existing stock.

Using the fund to make available temporary accommodation for people seeking asylum would bring the average cost of £54,020 for hotel accommodation per person down to just £3,888. This is also half the amount the Home Office pays for existing substandard asylum dispersal accommodation, which costs on average £7,854 per person per annum. The average payback period for homes would be just seven months from habitation, compared to current hotel costs: current spend for seven months for three people would fund the capital subsidy needed to purchase and renovate a three-bedroom home to be rented out at LHA levels.[14]

Homes could be purchased from the existing market in the first instance to maximise deliverability and quality. In the medium term, housing could also be acquired from unsold or incomplete new build properties, or from the conversion of vacant commercial property. While acquisition from the open market could be considered an additional pressure on housing supply, it is also a means of combatting the acquisition and rental of poor quality properties by buy-to-let investors or Real Estate Investment Trusts and should be seen in the context of the government's overall ambition to build 1.5 million new homes in this parliament. Homes could be incorporated into general social housing stock after a fixed period, increasing the overall supply of housing and investing in support for the most vulnerable families in the longer term.

This idea builds on the precedent set by the Local Authority Housing Fund (LAHF) Round 3, a government initiative providing capital grants to local authorities to house individuals from the Afghan Citizens Resettlement Scheme (ACRS) and other households facing homelessness, with important design differences to address perceptions of fairness.

---

[14] Kate Wareing and Bethany Eckley, An alternative model for funding asylum and temporary housing: building a more cost effective and humane system (August 2024)
Kate Wareing and Bethany Eckley, "Lemons into lemonade: How to get out of asylum hotels while easing the temporary accommodation crisis", *The Future of Asylum – A vision for renewal* (September 2025)

# Conclusion

Identifying a fair, long-term solution on asylum accommodation and ending the use of hotels must be one of the most urgent priorities for this government. There are no ideal options for the government, all carry some political risk, however in deciding between them the government should aim to prioritise those that provide a long-term benefit to communities, and invest in a more cost-effective and humane asylum system.

The package put forward here would not only save up to £5 billion but is designed to deliver these outcomes in the most community-sensitive, fair and cost-effective way, enabling the government to:

1. End the use of hotels within a year
2. Address the wider crisis in temporary accommodation
3. Heal divisions within communities through community-hosting and community investment.

# Annex 1

**Cost savings of granting leave to people from Afghanistan, Eritrean, Iran, Sudan and Syria, who were in asylum accommodation as of 30 June 2025.**

We estimated the cost savings of ending the use of hotel accommodation in the system by granting leave to people from Afghanistan, Eritrea, Iran, Sudan and Syria, who were in asylum accommodation as of 30 June 2025 over a six-month period, compared to ending the use of hotel accommodation by March 2029 through using large scale sites and reducing the asylum backlog.

The hotel population as of 30 June 2025 was 32,059 people. At the same time, there were 32,917 people from Afghanistan, Eritrea, Iran, Sudan or Syria being accommodated by the Home Office in dispersal accommodation, hotels or other contingency accommodation.[15]

The per person per night cost of hotel accommodation has been estimated as between £117 (average cost for Jan-March 2025) and £170 (average cost for April 2024 to March 2025)[16]. For the purposes of this calculation, the per person per night cost of a large-scale site is estimated as between £95.75 and £240. This is based on the increase to the Asylum Accommodation and Support Contract that was made in relation to the use of the Wethersfield (£101m over two years) and the planned maximum capacity (1,445 people) and the actual maximum capacity (576 people).[17]

Under the proposed step one (a proposal developed by the Refugee Council), it is assumed that between October 2025 and April 2026 the number of people in hotels would reduce from 32,059 to zero in a linear reduction. The hotel costs during this time are estimated at between £349,074,421.50 and £498,677,745.[18]

Under the government's plans, it is assumed that between October 2025 and April 2029 the number of people in hotels would reduce from 32,059 to zero in linear reduction, with half of the reduction due to people moving into large scale sites, and the other half due to a reduction in the asylum backlog. The accommodation costs during this are estimated at between £3,418,533,023.29 and £5,942,919,009.47.

This gives an overall estimated cost saving of between £3,069,458,604.79 and £5,444,241,264.47.

---

[15] Home Office Immigration System Statistics, year ending June 2025, Asylum – Asylum seekers in receipt of support, table Asy_D09, 2025

[16] The Migration Observatory, Asylum Accommodation in the UK, 15 August 2025

[17] National Audit Office, Investigation into asylum accommodation, March 2024

[18] The estimate doesn't include the cost of any welfare provision, such as Universal Credit, for those granted leave. This is because it is assumed to be offset within the costs of the government's plan, as the same cohort of people will either get leave through the asylum process, following the appeals process, or because they are unable to be removed