

Title: Changes to Family Migration Rules IA No: HO0065 Lead department or agency: Home Office Other departments or agencies: HM Treasury; Ministry of Justice; Department for Work and Pensions; Better Regulation Executive; Department of Health; Department for Education; Department for Communities and Local Government; Department for Business, Innovation and Skills; Cabinet Office; Foreign and Commonwealth Office; Devolved Administrations	Impact Assessment (IA)				
	Date: 12/06/2012				
	Stage: Final				
	Source of intervention: Domestic				
	Type of measure: Secondary legislation				
Contact for enquiries: Migration Policy, Home Office					
Summary: Intervention and Options				RPC Opinion: AMBER	

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as
£700m	-£0.2m	£0.02m	Yes	IN

What is the problem under consideration? Why is government intervention necessary?

Immigration enriches our culture and strengthens our economy, but uncontrolled immigration places unacceptable pressure on our public services and can damage community cohesion. The Government is reforming the immigration system as a whole to ensure that we balance firm controls and fairness and provide a system that is right for the UK and meets our international obligations. As we continue to reform other parts of the immigration system, it is right that we look to extend that balanced approach to family migrants, to ensure that we have consistent rules and expectations, fair for applicants and the taxpayer.

What are the policy objectives and the intended effects?

Implement a family immigration system that meets international obligations, respects the right to family life and strikes a fair balance between the rights of individuals and the need to maintain immigration controls; prevent abuse of the family immigration system, in particular sham marriage, and successfully tackle abuse when it occurs; promote integration and community cohesion; reduce burdens on the taxpayer and on public services; protect the public and safeguard the economic interests of the UK; develop partnerships with local authorities and others with a key interest in how we manage migration in the best interests of local communities and the country as a whole; and improve public confidence in the immigration system. A consequential reduction in net migration would be a welcome additional benefit.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing.

Option 2 (preferred option): Reform family migration: Reduce burdens on the taxpayer, promote integration and tackle abuse.

- (1) Introducing a new minimum income threshold of £18,600 for sponsoring the settlement in the UK of a partner of non-European Economic Area (EEA) nationality, with higher thresholds for sponsoring dependent children.
- (2) Abolishing immediate settlement for the migrant partner where a couple have lived together overseas for 4+ years and requiring 5 years probation, and extending pre-settlement probation from 2 to 5 years for all partners.
- (3) Requiring English language at B1 level for all applicants for settlement from October 2013.
- (4) For adult/elderly dependants, closing the route to in-country switching and requiring all overseas applicants to demonstrate they require long-term personal care that can only be provided by a relative in the UK.
- (5) Publishing a list of factors associated with genuine/non-genuine relationships; tackling abuse of the family route, including measures to tackle sham marriages.
- (6) Restricting the full right of appeal for family visitors.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 04/2015						
Does implementation go beyond minimum EU requirements?			N/A			
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro No	< 20 No	Small No	Medium No	Large No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: n/a		Non-traded: n/a	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible : Minister


 Date: 12 June 2012

Summary: Analysis & Evidence

Policy Option 1

Description: Do Nothing

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 0	High: 0	Best Estimate: 0

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

Description and scale of key monetised costs by 'main affected groups'

No additional monetised costs are identified. The sponsorship of partners will continue to be possible for those reliant on income-related benefits/credits and therefore subsidised by the taxpayer. Partners will continue to be able to claim welfare benefits at an earlier stage, at significant cost to DWP. There will continue to be a significant cost of family visit visa appeals.

Other key non-monetised costs by 'main affected groups'

No additional non-monetised costs are identified. There will continue to be costs and risks associated with family migration, including: unnecessary burdens on the taxpayer; lack of effective integration of family migrants; continued abuse of the family migration; and wider negative impacts, including reduced social cohesion. There may be risks of labour market displacement of resident workers by family migrants where they enter employment.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0	0
Best Estimate	0	0	0

Description and scale of key monetised benefits by 'main affected groups'

No additional monetised benefits are identified.

Other key non-monetised benefits by 'main affected groups'

No additional non-monetised benefits are identified.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

The key assumptions are that:

1. Volumes of family migrants will remain constant at 2011 levels going forwards in the baseline.
2. Levels of abuse of the family migration routes will remain a risk going forwards.
3. The risk will rise as other reforms to the immigration system make it more attractive for those seeking to abuse immigration controls to try to enter the UK through the family route.
4. Risks of continued negative social impacts and labour market displacement associated with migration.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	No	NA

Summary: Analysis & Evidence

Policy Option 2

Description: Make changes to the family migration route

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -100	High: 1700	Best Estimate: 700

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.3	130	1050
High	0.4	150	1250
Best Estimate	0.4	140	1150

Description and scale of key monetised costs by 'main affected groups'

The majority of the costs come from direct impacts on the Exchequer owing to reduced migrant fiscal contribution (£690 million PV over ten years). Other key monetised costs include: increase in UKBA case processing costs for additional LTR applications (£110 million PV over 10 years); a reduction in UKBA fee income from those that will not qualify and do not apply as a result of the proposed changes (£330 million PV over 10 years); and private and third sector training (£0.2 million PV in year 1).

Other key non-monetised costs by 'main affected groups'

Key non-monetised costs include: negative impact on individuals that do not qualify and their sponsors in the UK; potential costs to employers of upskilling resident workers to replace lost migrants if there is labour market displacement, and hence replacement of migrant workers with resident workers; potential short-run adjustment costs to employers of fewer migrant workers and lower producer surplus; potential negative dynamic impact on GDP per capita, trade, investment and innovation; and negative impact on migrants.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	120	950
High	0	370	2950
Best Estimate	0	230	1850

Description and scale of key monetised benefits by 'main affected groups'

Indirect impacts such as reduced burdens on the taxpayer account for the majority of the benefits: reduction in public service costs for health, education and crime (£970 PV million over 10 years); reduction in welfare payments to spouse migrants that no longer qualify to come to the UK (£530 PV million over 10 years); reduction in UKBA case costs where those that will not qualify do not apply (£130 PV million over 10 years); increase in UKBA income due to extending the time period to settlement (£200 PV million over 10 years.)

Other key non-monetised benefits by 'main affected groups'

Key non-monetised benefits include: increased integration of family migrants as they will be supported at a reasonable level to allow participation in everyday life; increased social cohesion; reduced impact of migration on other public services including transport, housing and wider spending on local and national services; increase in economic and social benefits to lower skilled resident workers if they have a higher probability of employment due to lower migration; and reduced congestion and population pressure.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
<p>Key assumptions are: 1. Volumes of family route visas and in country extensions will remain steady in the baseline at 2011 levels; 2. The new minimum income threshold in particular will reduce visa grants by 36%-46% (based on an analysis of how many sponsors are employed and their earnings); 3. The reduction in volumes will reduce welfare payments and public service costs in line with the average for the UK population for the associated age groups.</p> <p>Key risks/sensitivities include: 1. The net present value depends critically on assumptions around the fiscal and public service impacts of migrants - these estimates are uncertain and tested in the sensitivity analysis.</p>		

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.02	Benefits: 0	Net: -0.02	Yes	IN

*Numbers may not sum due to rounding

Summary: Combined Impact of All Proposals

Option 2 is to reform the family route in the immigration system with the following proposals:

Reduce burdens on the taxpayer, promote integration and tackle abuse:

- (1) Introducing a new minimum income threshold of £18,600 for sponsoring the settlement in the UK of a partner of non-European Economic Area (EEA) nationality, with higher thresholds for sponsoring dependent children.
- (2) Abolishing immediate settlement for the migrant partner where a couple have lived together overseas for 4+ years and requiring 5 years probation, and extending pre-settlement probation from 2 to 5 years for all partners.
- (3) Requiring English language at B1 level for all applicants for settlement from October 2013.
- (4) For adult/elderly dependants, closing the route to in-country switching and requiring all overseas applicants to demonstrate they require long-term personal care that can only be provided by a relative in the UK.
- (5) Publishing a list of factors associated with genuine/non-genuine relationships; tackling abuse of the family route, including measures to tackle sham marriages.
- (6) Restricting the full right of appeal for family visitors.

Summary volume effects

Overall, from the package of policy proposals set out above, we expect to see:

- A reduction in family route visa grants by between 13,700-18,500 visa grants per annum;
- An increase in family route leave to remain (LTR) grants of extension of between 23,000-29,000 per annum in the long run, as the probationary period before partners apply for settlement is extended from 2 years to 5 years, and if they do not meet the English Language requirements at indefinite leave to remain (ILR);
- An increase in LTR grants of extension of between 15,000-60,000 per annum in the long run from Points Based System (PBS) dependants as they are required to spend 5 years in a relationship in the UK with a PBS main applicant;
- A reduction in ILR grants to zero from 2014 to 2017, and a subsequent fall of around 12,000 ILR grants per annum owing to a lower number of people on the family route due to the impact of the minimum income threshold;
- Restricting the full right of appeal for family visit visas to applications to visit immediate family members with settled, refugee or humanitarian status in the UK from July 2012, which may lead to a small increase in re-applications; and
- No impact on other family routes.

The full right of appeal is expected to be removed from all family visitors through the Crime and Courts Bill by January 2014. The impacts of this policy change are included in the Bill's IA¹. Only the impacts in the meantime of limiting the appeal right through changes to family and sponsor definitions through secondary legislation are captured in this IA.

Appraisal, costs and benefits

The costs and benefits are described in detail in the later sections. The table below sets out a summary of the extent to which the options meets the policy objectives and the monetised and non-monetised costs and benefits of the overall package of proposals.

Overall, the evidence on monetised and non-monetised impacts suggests that option 2 is the preferred option – it meets the policy objectives more than option 1; and whilst it has high monetised and non-monetised costs, there are a number of monetised and non-monetised benefits that justify the policy decision.

¹ See full IA - <http://www.homeoffice.gov.uk/publications/about-us/legislation/crime-courts-part3/ia-appeal-rights?view=Binary>

Table 1 - Summary of monetised and non-monetised impacts

Impact	Option 1	Option 2
Monetised impacts	£m	£m (PV)
Monetised costs	£0	£1,150
Monetised benefits	£0	£1,850
Net present value (NPV)	£0	£700
Monetised impact on non-residents/output (not included in NPV)	£0	£3,400
Impact against policy objectives	Impact	Impact
Implement a balanced and fair family immigration system	Does not meet objective	Meets objective
Reduce abuse of family route	Does not meet objective	Fully meets objective
Improve integration	Does not meet objective	Meets objective
Reduce burden on state	Does not meet objective	Fully meets objective
Protect the public and UK economy	Does not meet objective	Meets objective
Improve public confidence	Does not meet objective	Meets objective
Non-monetised impacts	Direction and Assessment	Direction and Assessment
Dynamic impact of migration (on GDP per capita, trade, investment and innovation)	No impact	Negative-low
Social impacts: public services	No impact	Positive-low
Social impacts: congestion/transport	No impact	Positive-low
Social impacts: housing	No impact	Positive-low
Social cohesion	No impact	Positive-low
Impact on employers	No impact	Negative-low
Distributional impacts	No impact	Negative-low
Impacts on resident sponsors affected	No impact	Negative-high
Impacts on non-residents affected	No impact	Negative-high
Risks	Low	Low

Note – these summary assessments are based on the evidence presented in the Impact Assessment evidence-base, particularly in tables 13 and 14, and drawing on other available evidence on the impacts of migration, including the recent Migration Advisory Committee report (2012).²

Summary Assessment of Monetised and Non-Monetised Impacts

Option 2 has a higher NPV and is significantly better in meeting the policy objectives than the do nothing option. In addition, there are a number of non-monetised impacts that should be taken into consideration when making an assessment of the overall impacts across options; and these impacts should be given as much weight as the monetised impacts. The assessment suggests option 2 is likely to have important non-monetised benefits to residents compared to option 1. Risks are expected to be low across both options.

Overall, on the balance of monetised and non-monetised impacts and risks, and the ability to meet policy objectives, option 2 is considered the preferred option.

² MAC 2012: Analysis of the Impacts of Migration: <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/27-analysis-migration/01-analysis-report/analysis-of-the-impacts?view=Binary>

Changes to Family Migration rules: Evidence Base

A. Strategic Overview

A.1 Background

Family migration includes those who come to the UK through marriage, civil partnership or other partnership with a British citizen or person settled in the UK, or to join family members living, working or studying in the UK. In particular, the family route is that by which non-EEA nationals enter or remain in the UK on the basis of a relationship with a British citizen or a person settled in the UK.

The Family Consultation dealt with family migration in the round – the family route, dependants of those in the UK through the Points Based System (PBS), refugee family reunion and family visit visas – and included a mix of firm proposals and ‘green paper’ ideas for discussion.

Partners

Under the current arrangements, the majority of the family route comprises partners. Applicants for either leave to enter³ or leave to remain⁴ as a fiancé(e), proposed civil partner, spouse, civil partner, unmarried partner or same-sex partner are currently required to demonstrate that:

- The relationship is subsisting;
- They are, with the support of their sponsor, able to maintain and accommodate themselves and any dependants adequately without recourse to public funds; and
- They can speak and understand a basic level of English (A1 of the Common European Framework of Reference for Languages).

Migrants are granted a probationary period of up to 27 months. After completing this probationary period they are able to apply for settlement (indefinite leave to remain) as the partner of the British citizen or person settled in the UK.

Partners may be eligible for settlement immediately (indefinite leave to enter) if they have:

- Been married or formed a civil partnership at least 4 years ago;
- Spent those 4 years living together outside the UK; and
- Meet the required knowledge of language and of life in the UK (unless exempt because they are aged 65 or over or have a disability which prevents them from meeting the requirement).

Dependants – children and other relatives

Children cannot usually come to the UK to settle unless both parents are settled here, or the parent who is settled here has sole responsibility for the child. If the parent(s) are settled in the UK, the child will be granted settlement on arrival. If the parent(s) have temporary permission to stay, the child is usually granted a probationary period in line with that of the parent(s).

Children must demonstrate that they are:

- Not leading an independent life;
- Not married or in a civil partnership; and
- Aged under 18.

The parents must demonstrate that they are able to maintain the child and have adequate accommodation for the whole family without recourse to public funds.

A dependent parent or grandparent of a British citizen or person settled in the UK, and who is aged 65 or over, is entitled to apply for permission to settle permanently. In the most exceptional compassionate

³ Leave to enter – Leave to enter is the applicant’s initial permission to enter the UK.

⁴ Leave to remain - Leave to remain is permission to stay in the UK, either temporarily ('limited leave to remain') or permanently ('indefinite leave to remain'). Indefinite leave to remain is also known as settlement in the UK.

circumstances, other dependent relatives aged 18 or over (including parents and grandparents aged under 65) are able to join a person settled here.

Other dependent relatives must also demonstrate that they:

- Depend wholly or mainly on the settled relative for money;
- Can be maintained and accommodated adequately in the UK without recourse to public funds; and
- Have no other close relatives in their home country who can support them financially.

All children are exempt from the English language requirements on entry and for settlement. Adult dependants of British and settled persons are exempt from English language requirements when they apply for immediate settlement.

Points Based System dependants

Family migration also includes family members of those working in the UK under the Points Based System. Spouses, civil partners, unmarried partners and same-sex partners, and dependent children, may accompany or join a migrant in Tier 1 (entrepreneurs, investors and people of exceptional talent), Tier 2 (skilled workers) or a pre-PBS equivalent. The leave granted to the dependant(s) is in line with the leave granted to the primary migrant.

Migrants in Tier 1 and Tier 2, and their dependants, have a route to settlement. To qualify for settlement:

- Primary migrants must complete a probationary period of 5 years, as well as meeting the other requirements of the Immigration Rules;
- Dependants must have previously been granted leave as the partner or child of the primary migrant; and
- Partners must demonstrate that they have been living together in the UK with the primary migrant for a period of at least 2 years.

Recent changes to the migration system mean Tier 2 migrants must earn in excess of £35,000 to qualify for settlement in the UK, although there are some exceptions to this.

Family visits

Many British citizens and persons settled in the UK have family members living outside the UK resulting in a high volume of visa applications from people wishing to visit their family in the UK.

To meet the family visit visa requirements, the applicant must:

- Intend to visit the UK for no more than 6 months;
- Have enough money to support and accommodate themselves without working and without recourse to public funds, or demonstrate that they will be supported and accommodated by friends or relatives; and
- Be able to meet the cost of their return journey.

Unlike other visit visa applications, refusal of an application for a family visit visa attracts a full right of appeal. This was abolished in 1993 and reinstated in 2000.

A.2 Groups Affected

Those affected by the policy include:

Migrants in these categories, and their dependants; family visitors; British citizens and those settled in the UK; Government departments and agencies, including the UK Border Agency (UKBA) which is responsible for administering the immigration system, and other government departments with an interest; the Devolved Administrations; local registration services; Church of England; Church in Wales; English language providers; and HM Courts and Tribunals Service and Scotland and Northern Ireland Tribunals

A.3 Consultation

Within Government

The Government departments consulted or involved in the formulation of the policy include: HM Treasury; Ministry of Justice; Foreign and Commonwealth Office; Department for Work and Pensions; HM Revenue and Customs; Better Regulation Executive; Department of Health; Department for Communities and Local Government; Cabinet Office; Department for Business, Innovation and Skills; and Department for Education.

Public Consultation

A 12-week public consultation was conducted by the UK Border Agency, running from 13 July 2011 to 6 October 2011. 5046 responses were received; a summary of responses from the consultation is included at Annex 2.

The Migration Advisory Committee (MAC) placed a notice on their website announcing their commission to consider the level at which a minimum income threshold for sponsoring family migrants should be set, and wrote directly to some corporate partners, receiving four written responses which were considered within their report. They also discussed the project with their stakeholder panel (consisting of the British Chambers of Commerce, Confederation of British Industry, National Health Service Employers and Trades Union Congress) as well as with other corporate partners. Full details can be found in the MAC's November 2011 report on the income threshold⁵.

⁵ MAC (2011a): Review of the minimum income requirement for sponsorship under the family migration route. Report available from - <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/family-migration-route/>

B. Rationale

The Family Route

Immigration has enriched our culture and strengthened our economy. However, between 1997 and 2009, net migration in the UK totalled more than 2.2 million people and unlimited migration places unacceptable pressure on our public services and can damage community cohesion. The Government's aim is to reduce net migration to sustainable levels and reform the immigration system so that it serves the interests of the country as a whole, balancing firm controls and fairness, providing a system which is right for the UK and which meets our international obligations.

This balanced approach has to extend to those who come to the UK as family migrants. The family immigration system must be fair, clear and consistent, both to applicants and to the settled population. It should also be fair also to local communities and to the UK taxpayer. The changes assessed in this impact assessment focus on reform of the family route and on restricting the full right of appeal for family visitors.

British citizens and those settled in the UK can enter into a genuine relationship with whomever they choose, but if they also choose to establish their family life in the UK, they must do so on a basis that does not constitute a burden on the taxpayer and that ensures the migrant is able to integrate in British society.

Family migration must be based on a genuine relationship, not a marriage of convenience entered into in an attempt to gain an immigration advantage. Those involved in sham marriages undermine our immigration system. The Government believes that we need to do more to prevent and tackle abuse, including ensuring that the family route is not seen as an easy route here for those whose sole purpose is to work in the UK.

The Government believes that family migrants and their sponsors must have sufficient financial independence not only to be able to support themselves without recourse to the State, but also that they should have the wherewithal to allow the migrant to participate in everyday life in a way that enables them to integrate and play a full part in British society. This requires a level of income higher than the current maintenance requirement, which is equivalent to the level of income support, is inadequate to prevent migrants and sponsors becoming a burden on the welfare system and in turn inhibits proper integration. The new minimum income threshold needs to be simple and consistent and must be met without the sponsor seeking or needing help from the taxpayer.

Migrants should achieve settlement in the UK and the benefits that come with it by demonstrating the genuineness of the relationship on the basis of which permanent residence in the UK is sought, and by demonstrating an appropriate level of English language and knowledge of British values.

The ability to speak and understand the English language is essential to be able to live effectively in the UK on a permanent basis. Research by Shields and Wheatley-Price into the benefits of learning English found that fluency in English increased the average hourly occupational wage by approximately 20 per cent.⁶ If migrants cannot speak English, this can create significant costs for the taxpayer. In 2009-10, DWP alone spent £2.6 million on telephone interpreting services and nearly £400,000 on document translation.

Family visit visas

Expenditure on a full right of appeal for family visitors is a disproportionate use of taxpayer funding for the benefit sought: a visit to family in the UK.

In 2011, 452,200 applications were received for a family visit visa, of which 370,200 (82 per cent) were issued, either on initial decision by the visa officer (78 per cent) or subsequent allowed appeal (4 per cent). Unlike other visit visa applicants, those refused a family visit visa currently have a full right of appeal and in 2011 these appeals made up around 36 per cent of all immigration appeals and cost the

⁶ See Shields and Wheatley-Price (2001): *The English language fluency and occupational success of ethnic minority immigrant men living in English metropolitan areas.*

taxpayer around £590 per case. The Ministry of Justice introduced a fee for this type of appeal from December 2011, which is expected to reduce the cost to the taxpayer by around £120 per case. But the cost remains disproportionately high and new evidence is often submitted on appeal which should have been submitted with the original application. The Government believes that it is not right that the taxpayer should be footing the bill where the information should have been put forward as part of the original application.

An applicant refused a visit visa may reapply as many times as they like, on payment of the £78 application fee (which is cheaper than the appeal fee), and provide further information in support of their application. They will receive a decision much more quickly on a further application than they would the outcome of an appeal. It can take up to 8 months for a family visit visa appeal to be completed, compared with the 15-day turnaround time in which 95 per cent of visit visa applications were processed in 2011-12.

C. Objectives

The Government's objectives are to:

- Reduce burdens on the taxpayer;
- Promote integration;
- Prevent and tackle abuse; and
- Contribute to reducing net migration.

In addition, the policy will aim to strike the right overall balance between the rights of individuals to respect for family life and the public interest in safeguarding the economic interests of the UK by controlling immigration and in protecting the public from foreign national criminals; to provide an immigration system which is transparent and consistent and which meets our international obligations; and to increase public confidence in the immigration system by tackling abuse and reducing burdens on the taxpayer and public services.

D. Options

Option 1 is to make no changes (do nothing).

Option 2 is to reform the family route in the immigration system.

Reduce burdens on the taxpayer, promote integration and tackle abuse:

- (1) Introducing a new minimum income threshold of £18,600 for sponsoring the settlement in the UK of a partner of non-European Economic Area (EEA) nationality, with higher thresholds for sponsoring dependent children.
- (2) Abolishing immediate settlement for the migrant partner where a couple have lived together overseas for 4+ years and requiring 5 years probation, and extending pre-settlement probation from 2 to 5 years for all partners.
- (3) Requiring English language at B1 level for all applicants for settlement from October 2013.
- (4) For adult/elderly dependants, closing the route to in-country switching and requiring all overseas applicants to demonstrate they require long-term personal care that can only be provided by a relative in the UK.
- (5) Publishing a list of factors associated with genuine/non-genuine relationships; tackling abuse of the family route, including measures to tackle sham marriages.
- (6) Restricting the full right of appeal for family visitors.

Other options previously considered

- Other policy proposals – other proposals were included in the consultation and some are still under consideration. The Government response to the family consultation published on the Home Office website provides further detail.
- Other regulatory options – other regulatory options available could include closing or placing a numerical limit on the family route, which we consider to be disproportionate to the scale of the problems and inconsistent with our international obligations. Other regulatory options considered by the MAC and by the Government are discussed in more detail below.
- Other non-regulatory options – a range of non-regulatory options has been considered during initial policy development, for example: increased publicity around abuse of the partner route; increased enforcement; incentivising family migrants to learn English. However, we do not believe that these proposals alone would lead to outcomes that meet the policy objectives to reduce burdens on the taxpayer, promote integration and tackle abuse.

Other regulatory options

A number of regulatory options were considered during the consultation:

- *Income threshold options:* The MAC was commissioned to advise on the level at which a minimum income threshold should be set to prevent family migrants being a burden on the taxpayer. The MAC, in its November 2011 report⁷, considered three approaches: a “pay approach”, a “benefits approach” and a “fiscal impact approach”. The MAC recommended that the threshold be set within a range defined by the benefits-based and fiscal impact-based approaches, and concluded that it was for the Government to decide the most appropriate approach to and level of threshold to meet its policy objectives.
- *Minimum level of income threshold options:* The MAC recommended that the minimum income threshold be set within a range of between £18,600 (the level at which a couple with no children generally do not receive income-related benefits/credits) and £25,700 (the level at which the sponsor becomes a net fiscal contributor in a broader sense). Thresholds across this range were considered by the Government, based on the MAC’s analysis.
- *Options for exempting specific groups:* The MAC noted that its recommendations were based on the economic rationale alone and that the Government should also consider legal and social aspects. The Government has considered whether specific groups should be exempt from the

⁷ More detail on the options considered by the MAC can be found in their report on family migration:
<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/family-migration-route/>

minimum income threshold and concluded that those receiving specified disability-related benefits and carer's allowance should be so, subject to further review ahead of the April 2013 implementation of Personal Independence Payment. They will need to meet the existing maintenance requirement (the equivalent of income support level for that family).

- *Options for meeting the new minimum income threshold:* The Government has considered whether non-employment income should be allowed to count towards the minimum income threshold. The Government has decided to allow the migrant partner and their sponsor to use non-employment income, e.g. rental income from property, and significant cash savings under their control towards the minimum income threshold.

E. Appraisal (Costs and Benefits)

General Assumptions and Data

This impact assessment covers a 10-year period, in line with guidance from the Better Regulation Executive (BRE). It sets out the best estimates of the policy impacts at the final stage of policy development, using the available evidence. Any key uncertainties are highlighted and key assumptions are tested in the sensitivity analysis section to show the range of potential impacts. The impact assessment discusses the effects of policies individually, and then discusses the combined impacts of the policy package. This will differ from the sum of individual policy effects because some family migrants will be affected by more than one policy proposal. The impact assessment assumes the proposals are implemented in July 2012.

Feedback from the consultation and evidence gathering

As well as the Government's Family Consultation, the MAC's consultation and report have been used to help gather evidence and information to better understand the direct and indirect impacts of the proposals. Further internal evidence gathering has been carried out to understand the likely effects of the final policy proposals. The data and evidence used are described below, with key assumptions also set out in Annex 4. Nevertheless, some uncertainties remain, and these are made clear and tested where possible in the sensitivity analysis.

Objective function

In January 2012, the MAC published a report on the impacts of migration and recommended that migration policy impact assessments should concentrate on the welfare of the resident population. The NPV in this impact assessment therefore aims to maximise the welfare of the resident population - defined as those formally settled in the UK. The NPV should include the effects from any change in fiscal, public service, consumer and producer surplus and dynamic effects where practical and appropriate, but should exclude forgone migrant wages (net of taxes). Wider impacts on UK GDP and non-residents are identified and quantified where possible alongside political and social considerations, as these all affect the policy decision and should be given appropriate consideration in the final assessment.

Appraisal methodology

The following sections describe in more detail how the direct and indirect costs and benefits have been calculated and summarise the results. In general, the method is straightforward: total costs and benefits are the product of a change in volumes and an estimated unit cost or benefit, adjusted for the impact being considered and discounted at a rate of 3.5%, in line with HM Treasury Green Book guidance. Ranges are used to reflect the uncertainty in potential impacts.

The **direct** costs and benefits are those that are immediately related to the activities of those coming through the route under consideration, and the operations of the UKBA and others in processing their applications. The direct costs include, for example, training and familiarisation costs for the UKBA and reductions in visa income. The direct benefits are dominated by a reduction in UKBA processing costs as migrant volumes fall. The impacts on business through changes in levels of employment are a direct impact. However, it is believed that working migrants, especially in the family route, are marginal hires. Thus their wage is equal to their marginal productivity and the cost in terms of lost output is equal to the benefit of the saved wage. Overall, the direct impact on business is estimated to be relatively low at £0.2 million (present value over 10 years) but there may be wider impacts, particularly in the short-run as businesses respond to the new rules, that are not possible to accurately monetise. This is discussed further on page 42.

The **wider** costs and benefits are those more closely associated with the wider economy, labour market activity, public services, innovation, trade and investment. The wider benefits of a reduction in volumes relate to reduced pressure on public services, reduced congestion pressures and improvements in social cohesion. Many of these effects are difficult to accurately quantify and/or monetise but they have been described in detail where possible.

There are a number of **transfers** presented in the document. Transfer payments may change the distribution of income or wealth, but do not give rise to direct economic costs, thus they are not counted in the appraisal. Transfers include factors such as welfare benefits paid by the Government to a migrant.

The IA process is designed to help policy makers fully think through the reasons for government intervention. In the context of migration policies, the January 2012 MAC report on migration impacts recommended that policy decisions should be based on maximising the economic costs and benefits to UK residents only. This approach is consistent with government appraisal methodology, although to fully inform policy decisions, impacts on non-residents should be identified and quantified separately where it is reasonable to do so. In the context of migration policies, a UK resident is defined as a UK citizen or someone formally settled in the UK. Some of the costs and benefits will be paid by or to applicants inside the UK, and some by or to those outside the UK. However, neither of these groups are defined as UK residents. Payments made by or to these non-settled applicants are counted as a benefit to the UK economy, but not as a cost to the migrant as the impacts on non-residents should not be included in the NPV, but should be considered in decision-making.

Assessment of non-monetised impacts

As set out by the MAC and in line with Green Book methodology, in migration policy decisions, a number of non-monetised impacts need to be assessed, and these should be reviewed in conjunction with the monetised impacts to provide a balanced assessment of the policy effects (see the summary table on page 5). In this impact assessment, the non-monetised impacts of the whole policy package are discussed and given a score in terms of likelihood and impact. Whilst there is some subjectivity around such assessment, this provides some mechanism for balancing the monetised and non-monetised impacts associated with policy changes. See the combined policy impacts from page 43.

Volume assumptions

The impacts of the key proposals against the baseline volumes of family migration are described below. The proposals affect different groups at different stages of their route to settlement – entry clearance, leave to remain and indefinite leave to remain – and there will be interaction effects between some of these proposals. The text aims to set out which groups are affected and at which stages.

Assumptions on behavioural change

For all of the policy proposals discussed below, there are uncertainties surrounding the assumptions and impact estimates, particularly around behavioural change by sponsors and migrants – some migrants may enhance their language skills for example, the minimum income threshold may encourage potential sponsors to enter employment or seek better paid jobs, some migrants may be deterred by the additional time to settlement, and some family visitors refused a visa may make a further application. Some migrants may also seek entry through other routes. Unless clearly stated, we have not modelled behavioural change due to the significant uncertainties. Where relevant, we have modelled a range of scenarios to investigate the volume impacts under differing behavioural assumptions, and we have set out those which have a significant impact on our estimates.

Option 1 – No change to policy

Baseline volumes

The baseline volumes of family migration across different routes and stages of the migrant journey to settlement are set out at Annex 3 and discussed below. Although currently we do not expect to see a significant growth in family migration, there is a clear risk that the current system will continue to allow family migration and settlement which may involve abuse, or where there are risks that these migrants will be a burden on the taxpayer and will not integrate into UK society. We therefore believe that maintaining the current system for family migration is not in the best interests of either UK residents or migrants themselves.

Total volumes of **out-of-country visa grants** for the family route were 41,400⁸ in 2011. A further 9,800 visas were granted to children accompanying or joining their parents, some of whom would have been family route migrants. In order to analyse the impacts of the proposals in this impact assessment, we have included 50 per cent of these children in our central case, 0 per cent in our low estimates and 100 per cent in our high estimates.

Following the Supreme Court judgment in *Quila* in October 2011, the Government reduced the minimum age for a partner visa applicant and their sponsor from 21 to 18. This change took effect in November 2011. Data from applications in 2007, before the minimum age was raised from 18 to 21, suggested around 7 per cent of applicants and around 2 per cent of sponsors were between 18 and 21. It is therefore anticipated that baseline visa volumes will grow in the absence of any further policy changes, by around 4 per cent in the first year and then remain constant at 2011 levels.

Grants of **leave to remain** for the family route were around 17,000 in 2011. Of these, we estimate that around 13,700 are in-country switches, and the remainder are extensions of leave to remain in the same category, largely from those granted a 6 month fiancé(e)/proposed civil partner visa who then qualify for leave to remain. It is expected that these volumes will remain steady in future years.

Out-of-country visa grants and in-country grants for those switching route for PBS dependants are expected to be between 14,000 and 55,000 per year⁹. The low estimate assumes Tier 2 grants are in line with 2011 volumes. The high estimate assumes that the Tier 2 limit is reached.

Total volumes of **in-country grants of settlement** in the family route were 50,800 in 2011; 31 per cent of total settlement grants in that year.

The volume of **family visit visa** applications was around 452,200 in 2011, of which around 370,200 were granted. Family visit visa appeals received by the Tribunal were around 49,00 in 2010-11, of which around 38% were allowed.¹⁰ The volume of appeals is expected to fall in future years owing to the introduction of charging for appeals by the Ministry of Justice. Volumes in future years are expected to be around 36,000.

The Home Office makes no official forecast of future migration but for the purpose of this impact assessment we have assumed that family visa grants, grants of leave to remain and grants of settlement in the years following 2011 would have remained broadly constant in the absence of any other changes. On this basis, total visa grants, grants of leave to remain and grants of settlement to main applicants and dependants under family routes, including PBS dependants, and family visit visa appeal volumes are estimated to remain steady from 2012 onwards. It is from this baseline that the impacts of policy proposals are calculated.

Duration of stay of family migrants

Home Office research, *The Migrant Journey Analysis*, provides evidence on spouses and other family members entering the family route and estimates of how many remain in the UK and how many reach settlement.¹¹ This report shows that around 63 per cent of migrants granted visas in the family route in 2004 were still in the UK after 5 years, and that around 55 per cent had achieved settlement in that time.

⁸ This figure does not include visas granted for refugee family reunion.

⁹ See Impact Assessment for changes to Tier 2 settlement rules for a full discussion of projected volumes.

<http://www.homeoffice.gov.uk/publications/immigration/employment-related-settlement/impact-assessment-tier2?view=Binary>

¹⁰ Data on FVV appeals and allowed appeals is from UKBA Management Information

¹¹ See: Achato et al <http://rds.homeoffice.gov.uk/rds/pdfs10/horr43c.pdf>

For PBS dependants, 69 per cent were still in the UK after five years and 28 per cent had settled. Some of this can be accounted for by both partners (and their children) leaving the UK together; a small proportion may switch into other immigration categories, such as work or study, and some may divorce their partners and leave the UK. Data from the ONS on divorce rates for the whole UK resident population suggests around 10 per cent of marriages end in divorce after 5 years.¹² It is assumed that migrant relationships are similar in characteristics to UK residents.

We assume that the propensity of migrants to remain in the UK would remain the same in the absence of any policy change. Recent trends are relatively flat and there is no other evidence to suggest family route volumes would have grown or fallen over time in the absence of any other changes.

Costs and Benefits – Option 1

There will be no additional costs of option 1. However, there will be a number of risks and costs that will continue to arise, including:

Costs

There are a number of costs and harms associated with continued abuse of the family routes:

- **Harms associated with abuse of the immigration rules in the family routes** – there is some evidence of abuse in the family routes, such as use of fraudulent documents. There is also evidence of applicants using the family visit visa as a means of seeking to remain in the UK. In 2009, 22,570 asylum applications were refused, 219 (1 per cent) were matched to a family visit visa issued on appeal. In 2010, 20,000 asylum applications were refused, 410 (2 per cent) were matched to a family visit visa issued on appeal. In 2011, 15,600 asylum applications were refused, 484 (3 per cent) were matched to a family visit visa issued on appeal.
- **Lack of effective integration** – lower levels of English language ability for partner at the settlement stage will reduce their ability to integrate, both economically and socially, into UK society.
- **Burdens on the taxpayer** – where sponsors have low incomes and cannot support their spouse or partner without recourse to public funds. As set out below, around 5-18 per cent of sponsors in a sample of family route visa applications granted (see Annex 4) were not in employment or were earning less than income support at the time of the application. Up to a further 25 per cent were earning below £18,600 – the level at which the MAC suggests a couple would generally cease to access income-related benefits, including housing benefit, and working tax credit.

Benefit take up rates are calculated for benefit units (a family or household). It is estimated that becoming a family sponsor, and moving from a single person to a family unit, costs between -£281 and £2,995 per year in benefits. This is calculated based on take up rates and the average payment of each benefit across benefit units. The benefit take up rate for single people is higher for many benefits than for couples or families, which leads to a potential negative impact as a result of family migration sponsorship. See Annex 5 for more detailed assumptions. Currently partners with indefinite leave to enter have immediate access to welfare benefits if they are eligible for them. Other partners gain access to welfare benefits if they are eligible for them, when they are granted indefinite leave to remain after two years in the UK. Family migrants with poor levels of English language will also impose additional burdens through low earnings potential and translation costs.

- **Negative public perceptions around migration in the UK** – by making no change to the family route, there will continue to be negative public perceptions, for example around access to welfare benefits by migrants and around sham marriage. It is important that the Government acts to counteract these.
- **Costs of family visit visa appeals** – by making no change, there will continue to be around 36,000 family visit visa appeals per annum, with the majority of the cost falling to HM Courts and Tribunals Service. The most recent UKBA estimate suggests the cost to the UKBA of processing an appeal against refusal of entry clearance is typically around £190 at 2011-12 prices. The most recent estimate from HMCTS indicates that processing a family visit visa appeal costs around £400 at 2011-12 prices, although the actual cost will vary depending upon the complexity of the case. These costs

¹² See ONS website: <http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14124>

are partly financed by the fee for appeals introduced in December 2011. An oral hearing attracts a fee of £140 and a paper-based hearing is £80.

Benefits

There will be no additional benefits of option 1. Family migrants who are currently qualifying will continue to be able to come to the UK and join their partner or relative. This will have benefits to the individuals concerned, but will in some cases be increasing the burden on the taxpayer or not enabling the migrant to integrate in British society.

Option 2 – Reform of the family route

2.1 Introduction of a minimum income threshold of £18,600 for sponsoring a partner

Current policy

The current maintenance requirement requires that a sponsor can support their partner in the UK without recourse to public funds, and applies to the sponsors of both visa applicants and in-country applicants for leave to remain.

The current policy requires sponsors to demonstrate they can support their partner by providing evidence of net income after housing costs have been deducted above the level of income support – around £111.45 per week – for a couple. The requirement is currently applied in a discretionary manner and allows the wider income of the sponsor, plus the potential earnings in the UK of the partner to be included. This means a proportion of those who qualify may increase the burden on the taxpayer. The current system is also complicated for caseworkers to operate.

Proposal

The proposal is to replace the current maintenance requirement with a minimum income threshold of £18,600 for a couple, which is based on the sponsor's employment earnings and the non-employment income and cash savings of the sponsor and applicant for visa applications, and is based on these sources plus the applicant's employment earnings for in-country applications. This will reduce the risk that the couple will become a burden on the taxpayer and will ensure that the partner can be supported at a reasonable level that allows sufficient participation in everyday life as a basis for integration.

The MAC was commissioned to provide advice on what the minimum income threshold should be for sponsoring partners and dependants in order to ensure that the sponsor can support them independently without them becoming a burden on the State.

The MAC recommended that the minimum gross annual income for sponsoring a partner, without dependants, should be set at between £18,600 (the level at which a couple generally cease to be eligible for income-related benefits or tax credits) and £25,700 (the level at which, broadly speaking, a sponsor becomes a net fiscal contributor to public finances). The Government has considered this advice and has chosen a threshold of £18,600 for sponsoring a partner, a level which the MAC estimated could be met by an estimated 55 per cent of current applicants; a threshold of £22,400 for sponsoring a partner and one dependent child; and an additional £2,400 for each further child sponsored before the migrant partner qualifies for settlement.

This level of income threshold is not a determinant of eligibility for benefits in every case. There is no single number which can provide this, as set out by the MAC, but we still prefer to have a single threshold for reasons of clarity and simplicity. At this level of income, we can be reasonably assured that the sponsor, or the couple, has sufficient means to support themselves independently and to help enable the partner to integrate in British society.

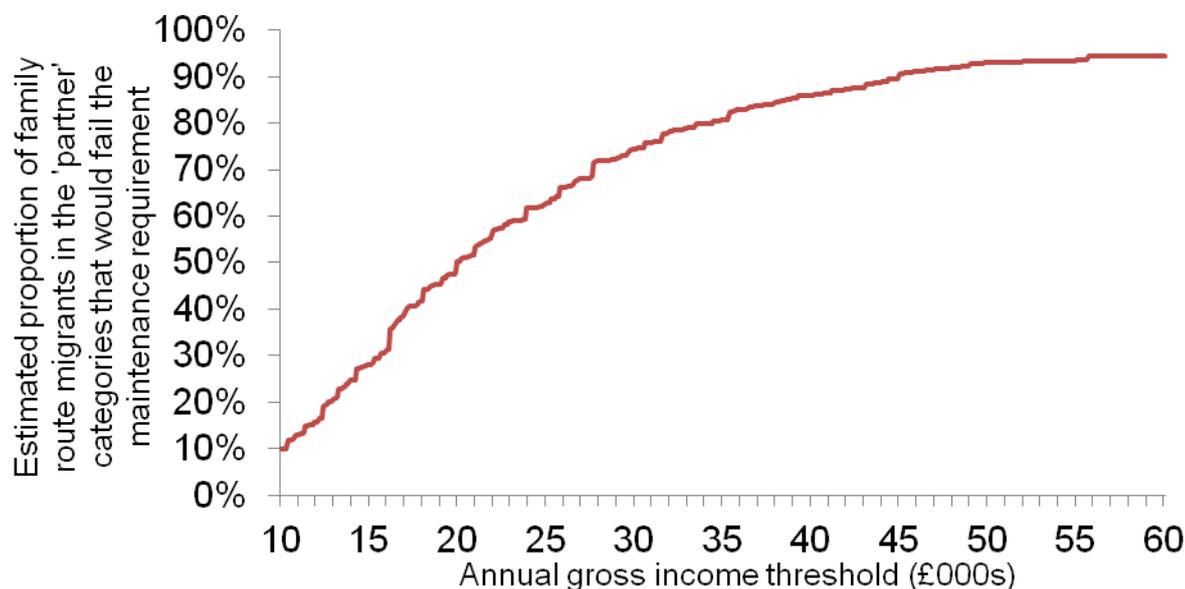
In formulating the final proposals for the minimum income threshold, we have taken into consideration the responses to the consultation. Measures included in the proposal include allowing the use of significant cash savings to offset any shortfall in income and also taking into account the migrant's, as well as the sponsor's, non-employment income.

Impact on volumes

Introducing a minimum income threshold for visa applications from overseas is expected to reduce volumes as only the sponsor's employment earnings (plus the couple's non-employment income and savings) will be considered, whereas currently the applicant's potential earnings in the UK (which may not materialise) can also be considered. The impact on in-country applications will be lower as the applicant's employment earnings, if they have permission to work in the UK, can also count towards the income threshold.

Evidence

Evidence on sponsor employment and earnings from UKBA case sample analysis is summarised in tables A3.11 and A3.12 in Annex 3. This suggests around 45 per cent of sponsors sampled were not in employment or earned less than £18,600 per annum. Analysis of the Annual Survey for Hourly Earnings (ASHE) also suggests around 40 per cent to 45 per cent of UK residents, the pool from which sponsors will be drawn, earn less than £18,600 per annum. The MAC set out the earnings distribution of family migrant sponsors in the chart below:



Source: Migration Advisory Committee (2011a).

However, some use of savings to offset shortfalls in income, and the inclusion of the sponsor and applicant's non-employment income, will mean it is possible that a proportion of those affected will still qualify. Others will qualify by being in receipt of a disability-related benefit or carer's allowance which exempts them from the threshold, or by increasing their earnings, such as by increasing their skills to get better paid employment or by increasing their working hours, in order to meet the income threshold.

Given the evidence set out above, it is assumed that the proposals could reduce **visa** volumes by between 35 per cent and 45 per cent per annum, with a central estimate of 40 per cent. The estimated range of volume effects is set out in table 2. Application volumes are calculated by applying grant rates to the volume of grants. Published statistics suggest that around 80 per cent of family visa applications are granted (see Annex 3).

UKBA's case file analysis suggests only 12 per cent of family migrants from the top 10 inflow countries bring a dependent child. UKBA management information shows that only 5 per cent of family migrants have a dependent when they apply to come to the UK (source: Family migration: evidence and analysis, published on the UKBA website in July 2011). Using these percentages to weight the income threshold of £18,600 by the threshold levels for dependent children suggests the volume failing to qualify would be 1 per cent above the reductions indicated above. The total reduction in visas is therefore expected to be between 36 per cent and 46 per cent, with a central estimate of 41 per cent.

For **in-country** applications, applicants will be able to use their own employment earnings in the UK towards the income threshold, as well as their sponsor's. Evidence from the Labour Force Survey (LFS) on partner employment and earnings suggests an employment rate of around 51 per cent and average earnings of around £17,000 per annum for migrant partners (see Annex 3 for LFS analysis of partner employment and earnings). As the inclusion of the migrant partner's earnings will make it easier for in-country applicants to meet the income threshold, the proportion expected to fail the requirement is much lower than that for visa applicants overseas and is assumed to be between 10 per cent and 20 per cent.

It is assumed that those who do not meet the income threshold will not apply. However, those failing to meet the income threshold in country may qualify under a different route. For these reasons it is assumed that there will be an impact on UKBA revenue streams but there are no wider effects associated with those who have failed to meet the income threshold in an in-country application.

Table 2: Estimated impact of minimum income threshold on visa grants and applications per annum

Family route numbers (rounded to '000)	Pre-policy Grant annual volumes	Introduction of new minimum income threshold	Reduction in family route visa grants per annum	Associated reduction in applications
Family – visas	47,300 in 2012. 45,700 in 2013 onwards	-36% to -46% (-41%)	13,600 to 17,800 (15,700)	17,400 to 21,800 (19,500)

Source and Notes: Home Office Science calculations

Costs

Direct set up costs

- **UKBA staff training and familiarisation costs** – there will be costs to UKBA of training and familiarising staff with the new rules and guidance. Around 500 UKBA casework staff will need to be trained in the new rules and guidance and around 4,000 UKBA staff that will need basic familiarisation. We estimate training will require around half a day for casework staff and around one hour for other staff. Assuming the hourly wage is £15,¹³ the training impacts are estimated at around £0.1 million in year 1 only. These estimated costs include all of the proposals covered in the consultation.

- **Familiarisation for private and third sector immigration advisers** – there will be costs in training and familiarising staff with the new rules and guidance. The Office of the Immigration Services Commissioner (OISC) annual report suggests there are around 4,000 regulated immigration advisers. Assuming half of these are private sector and earn a wage of around £22 per hour including on-costs, and around half are voluntary sector and earn around £12 per hour including on-costs,¹⁴ and that they require around one hour familiarisation, the costs are estimated at around £0.07 million in year 1 only.

Direct ongoing costs – public sector

- **Reduced UKBA fee income** – there will be UKBA income effects associated with any reduction in applications, for example, reduced applications due to the minimum income threshold. Fees for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. Using the current application to grant rates, we estimate visa applications may fall by around 15,700 per annum. If this is the case, then total reduced fee income will be up to around £260 million (PV) over 10 years.

- **Justice impacts** – Changes to the minimum income threshold may lead to a small increase in judicial reviews as the policy is challenged in its initial period. It is assumed that 1 per cent of applications will result in a judicial review. It is expected that this could lead to an increase in costs of £0.4 million in the first year.

Wider economic and social impacts

- **Impacts on migrant income** – if there is a reduction in partners coming to the UK, there is a potential reduction in wages received by migrants, as some of those partners could have entered employment in the UK. Evidence on partner employment and earnings suggests an employment rate of around 51 per cent and average earnings of around £17,000 per annum for migrant partners (that is for men and women combined, according to their proportion in the migrant partner volumes and applying their relative employment rates). See Annex 3 for the LFS analysis of partner employment and earnings. Under these assumptions, and assuming around 14,000 main applicant working age migrants no longer qualify, the cumulative impact of lost income (net of taxes) to those people who may have migrated to the UK is estimated at around £3.4 (PV) billion over 10 years¹⁵. As set out on page 14, the NPV of the policy presents only the impact on the welfare of UK residents, thus lost wages accruing to potential migrants are not shown.

¹³ We use the median wage for “Government Administration” worker in the ASHE survey 2011, £12.80 per hour, and apply on-costs of 21% in line with BIS guidance.

¹⁴ We use the median wage for “all business professional staff” of around £18 per hour for private sector workers and “all administrative staff” of around £10 per hour for all third sector workers using the ASHE survey 2011, and apply on-costs of 21% in line with BIS guidance

¹⁵ This estimate does not include an assessment of the net change in income to these individuals. Some would be able to continue employment in their current country of residence, but this information is not available, so the net effect on non-residents cannot be accurately monetised.

- **Impacts on the Exchequer**

As a result of the reduction in income which may accrue to future migrants, there would be a resultant reduction in the potential fiscal contribution of migrants to the Exchequer, which would have a negative impact on UK residents and is thus included in the calculation of the NPV. The direct tax contribution of family migrants can be calculated using their estimated average gross earnings and current income tax rates. With expected earnings of those that work of around £17,000 per annum, the average tax contribution would be approximately £3,000 per person based on 2012-13 tax rates. Using the estimated reduction in grant volumes multiplied by the estimated employment rate of 51% (see Annex 3 for LFS data on employment rates), the overall impact is expected to be around £690 million (PV) over 10 years.

- **Wider impacts on the economy**

The reduction in migrant workers will reduce the size of the UK workforce and total output, which is estimated as being represented by the sum of lost migrant wages (including tax) – around £4 billion (present value over 10 years). This includes both the reduced tax payments to residents that are included in the NPV and the reduced net wages to non-residents that are not included in the NPV, as set out above. Care should be taken not to double count the effects on total output and the effects on resident and non-residents. It is important to note that the output estimates take no account of the potential adjustment of the economy and labour market to the reduction in working migrants in the UK. It is possible that resident workers will replace the lost migrant workers, or that employers will respond by changing their production techniques, and hence the overall impacts on output could be considerably smaller. In addition, the aim of the proposal is to improve the integration of family migrants in the UK as migrants would be supported at a reasonable level to participate in everyday life. This could increase the productivity of those migrants over time and boost UK output. However, we are not currently able to estimate the size of such dynamic effects.

Benefits

The proposal will lead to a number of direct and indirect wider benefits to the public sector, including UKBA, and to the wider economy. The main benefits are around reduced burdens on the taxpayer and increased integration of the average family migrant. There will also be operational benefits to UKBA and greater public confidence in immigration policy, and to migrants who eligible to come here.

Direct ongoing benefits – public sector

- **Reduced UKBA casework costs** – there will be a reduction in UKBA casework costs where applications fall due to the minimum income threshold. Case unit costs for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. These savings are expected to be around £110 million (PV) over 10 years.

Wider benefits - reduced burdens on the taxpayer

Welfare savings – there may be some benefit from reducing migration of family migrants by the introduction of the minimum income threshold, as this should improve the self-sufficiency of those who qualify. Those who no longer qualify will not be able to claim benefits once they reach settlement, and those who do qualify should be less likely to claim benefits once they reach settlement. Benefit take-up rates are calculated for benefit units – which can be explained as a family unit. It is estimated that becoming a family sponsor, and moving from a single person to a family unit, costs between -£281 and £2,995 per year in benefits. This is calculated based on take-up rates and the average payment of each benefit across benefit units. The benefit take-up rate for single people is higher for many benefits than for couples or families, which leads to a potential negative impact as a result of family migration sponsorship. Using the estimated reduction in family migrants from a minimum income threshold of £18,600 per annum, we estimate benefit savings could be in the order of £530 million (PV) over 10 years. These estimates are extremely uncertain and will depend on both the volumes affected by the final policy proposals and the benefit take-up rate assumptions. See Annex 5 for more detailed assumptions and discussion of these issues.

- **Reduced public service costs** (reductions in health, education and criminal justice system (CJS) costs) – the proposal should help reduce pressures on public services. Where there is a reduction in the volume of family route migrants coming to the UK, there will be a proportionate reduction in health, education and CJS costs, assuming migrants have the same unit costs as the UK average for the same

age groups. Under these assumptions, we estimate the cumulative reduction in health costs will be around £570 million (PV) over 10 years, the reduction in education costs will be around £340 million (PV) over 10 years and the reduction in CJS costs will be around £50 million (PV) over 10 years. See Annex 5 for detailed calculations, assumptions and sources.

Wider non-monetised impacts and risks

- **Wider reduction in public service provision (benefit)** – we anticipate that there will be a reduction in the costs of public service provision associated with wider government spending. This includes spending on transport, other public infrastructure, national and local services and defence. It is difficult to accurately quantify these impacts.
- **Reduction in risks of congestion (benefit)** – we anticipate that due to the reduction in migrant volumes, there may be a significant reduction in the risks and costs of congestion. This includes congestion on the transport network and on other public services that can affect the cost, time or quality of service delivery; and wider population pressures, for example on housing. The MAC reported on the costs of transport and congestion for Tier 1 and Tier 2 economic migrants. However, family migrants are expected to have very different working patterns to economic migrants so the reported estimates cannot be applied in this context.
- **Increased social cohesion (benefit)** – we anticipate that there will be an increase in social cohesion as migrants are supported sufficiently well to facilitate participation and integration in everyday life in the UK. To the extent the proposals reduce the volumes of family migrants coming to the UK, there may be a small to medium positive impact on social cohesion through reducing perceived competition for finite resources. It is not possible to quantify this.
- **Reduction in dynamic growth potential (cost)** – the dynamic impacts of migration on growth are difficult to measure, and will vary depending on the characteristics of migrants. Given the large volume changes we would expect to see some negative effects on dynamic growth, through the potential reduction in innovation, competition and specialisation. However, given the characteristics of the migrants affected, we would expect any dynamic effects to be small.
- **Reduction in indirect fiscal contribution (cost)** – there may be a reduction in the indirect fiscal contribution of migrants due to reduced spending in the UK. Spending decisions will depend on household income and preferences, and it is difficult to accurately measure these effects so they are not monetised.
- **Distributional impacts** – there may be some distributional impacts as lower income sponsors will be affected more than those with higher incomes.
- **Impacts on individuals (residents)** – there may be negative impacts on individuals prevented from sponsoring the settlement of a partner in the UK. It is not possible to accurately quantify this effect but it could be significant.

Summary of costs and benefits

A summary of the key monetised costs and benefits included in the NPV is set out below.

Table 3: Summary Central Estimated Costs and Benefits of Proposal 2.1:

Costs	10 yr impact
<u>Set-up costs</u>	(£m) PV
1. Training and familiarisation costs	£0.05
2. Other UKBA staff familiarisation costs	£0.06
3. Private and third sector set up costs	£0.07
<u>Ongoing costs</u>	
1. Reduction in application fees	£260
2. Increase in appeals	£0
3. Increase in JRs	£0.4
4. Reduction in direct tax revenue from migrant workers	£690
Total costs (including GDP effects)	£950
Benefits	
1. Reduction in caseworking costs from fewer applications	£110
3. Reduced public service costs	
A. Reduction in health costs	£570
B. Reduction in education costs	£340
C. Reduction in criminal justice system costs	£50
4. Reduced benefits claimed by partners	£530
Total benefits	£1,610
Net present value	£660

Sensitivity analysis

There are a number of uncertainties in the impact modelling and cost and benefit estimates set out above. The key assumption is the impact of the minimum income threshold on visa grants, so we use a range of a 36 per cent reduction to a 46 per cent reduction as set out above. These estimates also take account of ranges around other key assumptions, as described in the text. These are given in detail in Annex 3.

- Assuming a 36 per cent reduction out-of-country and 10 per cent reduction in-country, the Net Present Value (NPV) becomes -£90 million over 10 years.
- Assuming a 46 per cent reduction out-of-country and 20 per cent in-country, the NPV becomes +£1,600 million over 10 years.

The table highlights the key cost is lost tax revenue from family migrants that can no longer come and work in the UK. As discussed above, it could be assumed that employers and the economy will adjust to the reduction in working migrants by employing resident workers or changing production.

Given the impacts described above, overall we believe the monetised and non-monetised benefits of the proposal are significantly greater than the monetised and non-monetised costs. The policy will maximise the welfare of the current UK resident population.

2.2 Abolishing immediate settlement for the migrant partner where the couple have lived together overseas for 4+ years and requiring 5 years' probation. Extending pre-settlement probation from 2 years to 5 years for other partners

Current policy

Currently, the migrant partner can apply for immediate settlement (indefinite leave to enter: ILE) on arrival in the UK if the couple have been living together overseas for 4 years or more before coming to the UK. Other migrant partners granted a visa leading to settlement are given 27 months' leave to enter the UK and can apply for settlement after 2 years.

In 2011, there were around 7,800 grants of ILE to partners and dependants; 1,325 of these were to partners and the remainder to children and other dependants. In 2011, 33,600¹⁶ visas with a probationary period before settlement were granted on the family route and a further 9,800 children were granted a probationary visa leading to settlement to join or accompany their parents, some of whom are migrants on the family route.

We have included 50 per cent of these children in our central estimate. Partners who apply in-country are granted 2 years leave to remain and can then apply for indefinite leave to remain (ILR). In 2011, there were 17,000 grants of in-country leave to remain, of which around 13,700 are believed to be in-country switches into the family route and the remainder were extensions.

Dependants of PBS migrants are granted leave in line with the main applicant. PBS migrants are granted an initial period of leave for 3 years with the possibility of extension for a further 2 years. They are eligible to apply for settlement after 5 years in the UK. A dependant who arrives in the UK a year after their main applicant will currently be granted 2 years' leave with the possibility of extension for a further 2 years and can apply for settlement after 4 years. Similarly, a dependant arriving 2 years after the main applicant will be granted one year's leave with the possibility of extension for a further 2 years and can apply for settlement after 3 years.

In 2011, 33,300 settlement grants were made to dependants of Tier 1 and 2 migrants and the precursor routes. This is expected to fall due to declining volumes of PBS migrants entering the UK. It is expected that between 14,000 and 55,000 will enter the PBS dependant route from out-of-country or from in-country switches each year. Falls of around 15 per cent in current settlement levels are expected as a result of the changes already announced to Tier 2 settlement policy.¹⁷

Proposal

The proposal is to end ILE and require a 5-year probationary period before settlement. It is not fair that a migrant partner who may never have been to the UK and who has made no tax or National Insurance contribution should get immediate settlement on arrival.

The proposal is also to extend the probationary period before settlement for other migrant partners from 2 years to 5 years. This will test that those migrants that come to the UK as a partner are in a genuine relationship. For the same reason, this increase to 5 years will also be applied to the partners of Points Based System migrants.

Partners on the family route will be granted leave to enter for up to 33 months. They will then need to apply for further leave for 30 months until they have completed their probationary period of 5 years. PBS dependants will continue to be granted leave in line with the main applicant but will be required to demonstrate that they have been living with the PBS main applicant for 5 years in the UK before they can apply for settlement. This will require additional applications for leave to remain in the UK before they can apply for settlement.

¹⁶ This figure does not include visas granted for refugee family reunion.

¹⁷ See Impact Assessment for changes to Tier 2 settlement rules for a full discussion of projected volumes.

<http://www.homeoffice.gov.uk/publications/immigration/employment-related-settlement/impact-assessment-tier2?view=Binary>

Impact

The proposals will affect four groups of migrants differently:

- **ILE visas** – those currently granted settlement on arrival as a partner will now need to apply for a visa giving leave for up to 33 months (to allow time for arrangements to be made to travel to the UK), then apply for further leave to remain for 30 months and then apply for ILR after 5 years. They will be delayed in their journey to settlement by 5 years. Assuming 2011 volumes remain constant, this affects around 1,300 partners per annum.
- **Visas leading to settlement** – those currently granted 27-month visas and then applying for ILR after 2 years will now be granted a 33-month visa and then need to apply for further leave to remain (LTR) in the UK for a further 30 months before then applying for ILR after 5 years. They will be delayed in their journey to settlement by 3 years. Assuming 2011 volumes remain constant, this will affect around 33,600 migrants per annum and up to 9,800 children who are granted a probationary visa leading to settlement to join or accompany their parents.
- **In-country grants of LTR** – those currently applying to the family route in-country are granted leave to remain for 2 years before they are eligible to apply for ILR. They will now be granted leave for 30 months and need to apply for a further 30-month period of LTR before applying for ILR after 5 years. They will be delayed in their journey to settlement by 3 years. Assuming 2011 volumes remain constant, and only in-country switches are affected, this will affect around 13,700 migrants per annum.
- **PBS dependants** – the impact will depend on the length of time between the main applicant coming to the UK and their dependants following. Although exact data is not available, the Migrant Journey Analysis suggests that approximately 40 per cent of dependants arrive at the same time as the main applicant and therefore would serve the exact same 5 year probationary period as before. A further third arrive up to one year later and the remainder arrive 2-4 years later. They will be required to extend their temporary leave in the UK until they reach 5 years and can apply for settlement. Depending on the volumes entering the route, it is thought that applications for further leave from those in the UK who have been delayed on their path to settlement will increase by 15,000-60,000 per year.

Evidence

As the proposals will delay when migrants can apply for ILR, there may be a natural exit rate which reduces the volumes applying for ILR in the long run. We have modelled the potential reduction in migrants remaining in the UK by using evidence from the Migrant Journey Analysis and ONS statistics on divorce rates to understand how many fewer migrants may be in the UK due to the delay in their journey to settlement.

The Migrant Journey Analysis suggests that 79 per cent of those on the family route will still be in the UK at the (current) settlement stage of 2 years. We have assumed that most of those, subtracting only failed relationships, who reach the current settlement stage, will continue to the proposed later settlement stage at 5 years. The ONS statistics on UK divorce rates suggest that 10 per cent of marriages end in divorce after 5 years compared to 3 per cent after 2 years. This suggests that an additional 7 per cent of relationships are likely to fail in the extended probationary period. This assumes that migrant relationships are similar in this respect to the resident UK population. Data on divorce rates specifically for migrants are not available. However, if migrant divorce rates differ from UK residents, it is believed that they may be lower than UK residents up to the 5 year mark. This is tested in the sensitivity analysis.

There could also be some deterrence due to the delay which reduces the volumes applying at each stage in the long run, but this is not modelled here.

The table below sets out the groups affected and the change in their applications for visas, leave to remain and settlement before and after the policy.

Table 4: Estimated impact of ending ILE and extending probationary leave from 2 years to 5 years on family route visa, leave to remain and settlement grants

Application stage	Pre-Policy	Impact	Post-policy
Initial ILE visa grants	1,300 settlement on arrival visa grants to spouses/partners/	Switch to visas with a 5 year minimum probationary period to settlement. Migrant must apply for LTR after 30 months Delay in time before migrant can apply for ILR	1,300 leading to settlement visas; 1,000 LTR grants (after 30 months); 800 ILR grants (after 5 years)
Initial visa leading to settlement grants	37,900 visa grants 29,900 ILR grants (after 2 years)	Migrant must apply for LTR after 30 months Delay in time before migrant can apply for ILR	37,900 leading to settlement visa grants; 30,000 LTR grants (after 30 months) 23,500 ILR grants (after 5 years)
In country LTR grants (switching)	13,700 LTR grants leading to 10,800 ILR grants (after 2 years)	Migrant must apply for LTR after 30 months Delay in time before migrant can apply for ILR	13,700 LTR grants; 10,800 LTR grants (after 30 months); 8,500 ILR grants (after 5 years)
PBS dependants	Around 25,000 LTR grants per year, leading to 13,900 ILR grants	Migrants must apply for further FLR until they reach five years and can apply for settlement.	61,000 LTR grants leading to 13,900 ILR grants after five years.

Source: Home Office Science estimates

Costs

Direct set up costs

- **Familiarisation for private and third sector immigration advisers** – the OISC annual report suggests there are around 4,000 regulated immigration advisers. Assuming half of these are private sector and earn a wage of around £22 per hour including on-costs, and around half are voluntary sector and earn around £12 per hour including on-costs, and that they require around one hour of familiarisation, the costs are estimated at around £0.07 million in year 1 only.

Direct ongoing costs – public sector

- **Increased UKBA case processing costs** – there will be increased UKBA caseworking costs from additional LTR applications. Case unit costs for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. Assuming the volume effects set out above hold, the estimated increase in UKBA caseworking costs is around £140 million (PV) over 10 years.

Reduced UKBA fee income – there will be UKBA income effects associated with any reduction in applications due to the longer probationary period to ILR. Fees for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. We estimate the net reduction in ILR income will be around £120 million (PV) over 10 years.

- **Appeals and judicial reviews** – there is a risk of an increase in appeals and judicial reviews if fewer family route migrants qualify for entry, LTR or ILR. This is not quantified as the risk is unknown.

Benefits

Direct – ongoing benefit

Increased UKBA fee income – there will be UKBA income effects associated with any increase in LTR applications due to the longer probationary period to ILR. Fees for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. Under the volume assumptions set out above, we estimate that UKBA fee income will increase by around £245 million (PV) over 10 years.

- **Reduced UKBA casework costs** – there will be a reduction in UKBA casework costs where applications fall due to the delay in access to settlement. Case unit costs for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. These savings are expected to be around £35 million (PV) over 10 years.

Wider benefits - reduced burdens on the taxpayer

- **Welfare savings** – there may be some financial benefit from delaying migrants in their journey to settlement, as they will not be able to claim welfare benefits until they reach ILR. Benefit take-up rates are calculated for benefit units – which can be explained as a family unit. It is estimated that becoming a family sponsor, and moving from a single person to a family unit, costs between -£281 and £2,995 per year in benefits. This is calculated based on take-up rates and the average payment of each benefit across benefit units. The benefit take-up rate for single people is higher for many benefits than for couples or families, which leads to a potential negative impact as a result of family migration sponsorship. See Annex 5 for more detailed assumptions and discussion of these issues.

The number of family migrants who reach settlement is estimated to fall due to the proposals by around 1,400 in the first year to around 146,000 in year 10. Under these assumptions, we estimate welfare benefit savings could be in the order of £0.9 billion (PV) over 10 years. These estimates are extremely uncertain and will depend on both the volumes affected by the final policy proposals and the benefit take-up rate assumptions. This is considered to be a *transfer* from migrants and their sponsors in the UK to the Government because the migrant family unit includes a UK resident. The savings in public funds can also be considered a cost to the migrant’s resident partner in the UK.

Wider non-monetised impacts

- **Reduction in abuse** – increasing the length of time before a migrant partner can settle in the UK is expected to make the route less attractive to those wishing to abuse it. Increasing the probationary period to settlement will mean all main immigration routes – work, study and family – have the same length of time to settlement which will increase fairness and consistency. The additional time to settlement will give UKBA a further opportunity at the LTR stage to test the genuineness of the relationship on the basis of which settlement in the UK is sought. This benefit is not quantified, but we expect this benefit to be relatively significant as genuine migrant partners are more likely to remain in the UK for the extended period before settlement.

- **Benefits to third and private sector advisers** – increasing the number of applications a migrant has to make before they can settle in the UK many increase the number of visits to an immigration adviser. We do not have the necessary data to quantify this but believe it could be a small benefit to business.

Summary costs and benefits

A summary of the key monetised costs and benefits is set out below. Overall, we believe the monetised and non-monetised benefits of this proposal are greater than the monetised and non-monetised costs.

Table 5: Summary costs and benefits of proposal 2.2

Costs	10 yr impact (£m) (PV)
1. Private and third sector set up costs	
2. Increased casework costs at visa (leading to settlement) application	£140
3. Reduced ILR fee income	£120
Total costs	£260
Benefits	
1. Reduced ILR casework costs	£35
2. Increased LTR/ILR fee income	£245
Total benefits	£280
Net Impacts	£20

Transfers	10 yr impact
1. Welfare benefit savings from those delayed ILR	£900

2.3 Require English language at B1 level for all applicants for settlement

Current policy

Settlement applicants are currently required to pass the Life in the UK test (set at a level equivalent to B1 of the Common European Framework of Reference (CEFR)) or an English for Speakers of Other Languages (ESOL) course with Citizenship materials. Generally the ESOL route is for those whose English is not sufficient to take the Life in the UK test, meaning migrants applying for settlement can qualify to settle in the UK with limited language skills and be less able to participate and integrate in British society. Since November 2010, partners have been required to reach a basic language level of A1¹⁸ before leave to enter is granted.

Proposal

From October 2013, we propose to require all applicants for settlement, including partners, to demonstrate a knowledge of language and life in the UK by passing the Life in the UK test and by presenting a speaking and listening qualification at intermediate level (B1) or above. This language requirement, together with a knowledge of the values that underlie British society, will help ensure that those who settle here are able to participate in British life and are better able to gain employment.

As now, we will exempt those with a physical or mental disability that prevents them from meeting the requirement as well as those aged 65 or over. Refugees, those with humanitarian protection, bereaved partners and victims of domestic violence will continue to be exempt from the requirement at the settlement stage.

Impact

This proposal affects the volumes of partners that apply for settlement – an estimated 40,000 in 2012, plus a further 13,900 PBS dependants. A proportion of applicants will fail to be granted ILR due to the higher language requirements. It is assumed that the migrants that fail would apply for further leave to remain (LTR) for an additional period and they will aim to improve their English language ability and will undertake language tuition before they re-apply for settlement one or 2 years later. There could be some deterrence which reduces the volumes applying for ILR in the long run, but this behavioural shift is not modelled at this stage, as we assume that family relationships are continuing. For those that do learn a higher level of English language, we expect there will be benefits associated with higher productivity for these migrants.

Evidence on volume impact

Management information set out in Annex 3 shows around 31 per cent of settlement applicants took the ESOL route in 2010. This suggests that almost a third of applicants currently do not have the necessary B1 level of English to qualify for settlement. However, English language requirements for partners applying for a visa or leave to remain were introduced in 2010, meaning those applying for ILR after 2012 should have entered the route with a basic level of English language (level A1). These partners will be more likely to qualify for ILR under the new proposals as they will only need to improve their English language ability from A1 to B1. We also assume that many potential applicants will strive to improve their English skills before applying for settlement and this may reduce the volume impact. We therefore include a range of impacts assuming a range of between 0 per cent and 10 per cent are affected.

Grant volumes across LTR and settlement stages are expected to alter by the volumes in the table below, over the period of the impact assessment.

¹⁸ The Common European Framework of Reference for Languages specifies six levels of competency in English – A1 to C2.

Table 6: Estimated impact of English language proposals on settlement grants per annum

Family Route	Grant volumes pre-policy (2011)	Impact of strengthening language requirements	Grant volumes post-policy (ILR grants from 2015 onwards)
Family route (Spouse) – ILR	34,500 in 2015	0% to 10%	32,800 in 2015 as apps are delayed by one year
Family route – (additional) in country LTR grants	0	Increase in line with those that do not qualify for ILR	Additional FLR apps of 1,700 per year
PBS Dependants	13,900	0-10%	13,200 in 2015 as applications are delayed by one year. Additional 700 FLR applications per year.

Note – estimates in this table are expected additional applications for LTR, above those set out in the baseline (17,000 in 2011).

Evidence on impact of English language

English language ability helps migrants to live effectively in the UK on a permanent basis and to achieve additional positive social and economic outcomes. Research by Shields and Wheatley-Price into the benefits of learning English found that fluency in English increased the average hourly occupational wage by approximately 20 per cent. Evidence from Dustmann et al (2002)¹⁹ suggests ethnic minorities who learn English improve their earnings by between 16-20 per cent and their employment rate prospects by 5-10 per cent. Evidence from the LFS suggests around 51 per cent of migrant partners are employed in the UK, and currently earn around £17,000 per annum on average (see Annex 4) and, if migrants cannot speak English, this can create significant costs for the taxpayer. In 2009-10, DWP alone spent £2.6 million on telephone interpreting services and nearly £400,000 on document translation.

Costs

Direct set up costs – private and third sector

- **Familiarisation for private and third sector immigration advisers** – the OISC annual report suggests there are around 4,000 regulated immigration advisers. Assuming half of these are private sector and earn a wage of around £20 per hour including on-costs, and around half are voluntary sector and earn around £11 per hour including on-costs, and that they require around one hour familiarisation, the costs are estimated at around £0.07 million in year 1 only.

Direct ongoing UKBA costs

Fall in UKBA fee income – there will be a fall in UKBA fee income as applications for settlement are delayed. If the policy is introduced in 2012, settlement applications are expected to fall in 2014. Volumes will recover after this point. The estimated cost is £2 million (PV) over ten years, although the costs will arise in year 3.

- **Increased UKBA processing costs** – delaying settlement applications because of a lack of the required English language proficiency means that applicants must extend their leave by applying for further leave to remain while they enhance their language skills. UKBA must process these applications. The cost of processing is given in Annex 4. The total cost is estimated at £4 million (PV) over 10 years.

UKBA also faces additional costs through checking that ILR applications meet the new knowledge of language and life in the UK criteria. It is expected that applications could take an additional 10 minutes to check, leading to additional costs of £1 million (PV) over 10 years.

- **Appeals and judicial reviews** – there is a risk of increase in appeals and judicial reviews if fewer family route migrants qualify for ILR. This is expected to be small, around 1 per cent of affected applications. This is expected to cost £0.1 million during the next 10 years.

Wider costs

Benefits to the private and third sector

¹⁹ See: <http://www.ucl.ac.uk/~uctpb21/Cpapers/languageproficiency.pdf>

- **Tuition and test fees** – those who do not qualify for ILR due to the English language proposals will need to learn English for up to 2 years before reapplying for ILR. Costs incurred by migrant partners will include language tuition costs and test fees. The tuition and test costs will accrue to UK testing and language providers. However, this is not a transfer as the transaction gives rise to economic costs and benefits. The benefit to the migrant is discussed below, in terms of higher income due to their language skills. We would also expect indirect positive effects, such as increased integration.

The Cambridge exam board gives suggestions for the number of hours of tuition required to reach each level of English language capability. The level of language capability proposed is B1. The Cambridge exam board suggests that most people should be able to reach this level after 350 to 400 hours of tuition. Typical courses in language tuition cost from £400, although more than one course may be required. Course costs can be up to £2950²⁰ for tuition covering level A1 to level B1. Tuition costs may be lower for some migrants as they may be entitled to Government support. Costs will also vary depending on factors including the language ability of the learner, their study skills, how much private study they undertake, etc. Many applicants enter the UK with a level of English higher than A1, e.g. having a degree that was taught in English, and some applicants will already be at a B1 English level and so require no additional tuition and incur no additional costs. Assuming around 1,000 migrants per annum need to pay for language tuition, the estimated cost is around £28 million (PV) over 10 years. In addition, language test fees are estimated to cost around £80. Under the same volume assumptions, the estimated cost to the migrant is around £1 million (PV) over 10 years.

The costs to the migrant also apply as a benefit to the business providing the language tuition and testing. Although we recognise that some part of the additional fee captures the additional resource needed to deliver a higher standard of teaching, we have assumed all extra revenues are benefits because it is not possible to establish what proportion of the fee rise represents the counterpart of fee changes in the market, where some segments are supply constrained, and what part represents higher quality or additional supply.

Benefits

Direct ongoing benefits – public sector

Direct operational benefits to UKBA

- **Increased UKBA fee income** – there will be UKBA income effects associated with any increase in LTR applications due to the higher English language thresholds at ILR. Fees for main applicants and dependants at different stages are available on the UKBA website and are set out in Annex 4. Under the volume assumptions set out above, the estimated increase in UKBA fee income is around £9 million (PV) over 10 years.

- **Reduction in casework costs** – delaying settlement applications has a fee income effect on UKBA as discussed in the costs section. However, reducing applications also has a benefit to UKBA in that no casework needs to be undertaken. The costs of processing these settlement applications are given in Annex 4. The total saving is estimated to be £1 million (PV) over 10 years.

Wider benefits

Increased integration of migrants

- **Higher earnings due to better English language** – for those migrants who learn a higher level of English language and qualify for ILR, we expect an increase in their expected employment and earnings potential. This is included in the NPV as the migrants affected will become settled in the UK, thus becoming UK residents before they receive enhanced earnings. We estimate between 5 per cent and 14 per cent of migrants applying for ILR will need to learn English to level B1 before qualifying for settlement. We have used academic evidence (Dustmann) that suggests that English language can be responsible for increasing wages by 16–20 per cent. Assuming the assumptions above hold and migrants at lower levels of English language currently earn the minimum wage and have an employment rate of 52 per cent, we expect migrants to be around £1,200 per annum more productive from year 3 onwards (once they have learnt B1 English). The cumulative impacts are estimated to increase output and wages for residents in the UK by around £55 million (PV) over 10 years.

Reduced burden on the taxpayer

²⁰ Croydon Adult Education charges £1475.00 full fee for each level of ESOL.

- **Reduced translation costs** – not quantifiable. The increase in English language levels required at ILR will help to reduce translation costs for settled migrants in the UK for health, education and other public services. As stated above, in 2009-10, DWP alone spent £2.6 million on telephone interpreting services and nearly £400,000 on document translation so we can expect this saving to be significant.

- **Welfare savings** – from migrants delayed in qualifying for ILR and therefore unable to claim welfare benefits. Assumptions are as above, but we assume these are transfers rather than welfare savings. Assuming around 1,000 family migrants will be delayed access to benefits for one year due to the proposal, we estimate the benefit savings could be in the order of £23 million (PV) over 10 years. These estimates are extremely uncertain. This is treated as a *transfer* from migrants and their sponsors to the Government, and thus also represents a cost to the migrant applicant.

Wider non-monetised impacts and risks

Increased integration of migrants

- **Increased integration of migrants** – not quantifiable. We expect the English language proposal to improve the integration outcomes of those in the family route.

Summary of costs and benefits

A summary of the key monetised costs, benefits and transfers is set out below. Overall, we believe the monetised and non-monetised benefits of this proposal are significantly greater than the monetised and non-monetised costs.

Table 7: Summary costs and benefits of proposal 2.3

Costs	10 yr impact
<u>Costs</u>	(£m) (PV)
1. Private and third sector set up costs	£0.07
2. Increased case work costs for LTR applications	£4
3. Change in ILR fee income	£2
4. Increased UKBA costs for checking language levels	£1
5. Increase in JRs	£0
6. Costs of English language provision	£28
7. Costs of English language test	£1
Total costs	£30
Benefits	
1. Reduced casework costs for ILR applications	£1
2. Increased fee income at LTR application	£9
3. Increased output from better English language ability	£55
4. Benefits of English language provision - fees to providers	£28
5. Benefits of English language test – transfer	£1
Total benefits	£95
Net Impacts	£55

Transfers	10 yr impact
1. Transfer of welfare payments to UK taxpayer	£23

Sensitivity analysis

The key sensitivities are the impact of the proposal on ILR applicants and the potential impact of learning English on the productivity of migrants in the UK. As set out above we think the range of potential impact of the proposals lies between 0 per cent and 10 per cent based on the evidence available.

- Assuming there is a 0 per cent reduction in ILR grants, and those affected improve their language skills, the NPV becomes £0 million over 10 years.
- Assuming there is a 10 per cent reduction in ILR grants, and those affected improve their language skills, the NPV becomes £125 million over 10 years.
- If we assume the impact of English language on employment and earnings is slightly lower or higher than research suggests, the NPV will change proportionately but will remain significantly positive.

2.4 For adult/elderly dependants, closing the route to in-country switching and requiring all overseas applicants to demonstrate they require long-term personal care that can only be provided by a relative in the UK

Current policy

Adult and elderly relatives who are financially dependent on a relative settled in the UK can currently apply for indefinite leave to enter or remain in the UK. Applicants must be able to demonstrate that they depend wholly or mainly on the UK-settled relative for money; they will be maintained and accommodated adequately without recourse to public funds; and they have no other close relative in their home country who can support them financially. All applicants (except parents or grandparents aged 65 or over) must also show they are living in the most exceptional compassionate circumstances. The sponsor is requested to sign a 5-year undertaking that the dependant will be maintained and accommodated without recourse to public funds, with the effect that the dependant is excluded from access to public funds.

Proposal

The proposal is to close the route in-country, as visitors must return home at the end of their visit, and only allow applications from overseas. Non-EEA adult dependent relatives applying from overseas will only be able to settle in the UK if they can demonstrate that, as a result of age, illness or disability, they require a level of long-term personal care that can only be provided in the UK by their relative here and without recourse to public funds.

The route will be limited to close family aged 18 or over: parents, grandparents, sons, daughters, brothers and sisters; uncles and aunts will be excluded from the route.

Impact

In 2010-11, 483 parents and grandparents aged 65 or over, and 241 other dependent relatives aged 65 or over, were granted ILE after applying overseas; 832 parents and grandparents aged 65 or over, and 36 other dependent relatives aged 65 or over, were granted ILR after applying in the UK.

In 2010-11, 108 parents and grandparents aged under 65, and 137 other dependent relatives aged under 65, were granted ILE after applying overseas; 179 parents and grandparents aged under 65, and 309 other dependent relatives aged under 65, were granted ILR after applying in the UK.

It is estimated that closing the route in-country will reduce in-country applications to zero. However, it is estimated that 25% of those aged 65 or over and 50% of those aged 18-64 will instead apply from outside the UK.

Costs

Direct ongoing UKBA costs

- **Fall in UKBA fee income** – there will be a fall in UKBA fee income as applications for indefinite leave to remain in the UK fall as a result of closing the in-country route. Volumes are expected to fall from 2012 onwards. The fees associated with these products are set out in Annex 4. The estimated cost is £23 million (PV) over 10 years.
- **Increased UKBA processing costs** – UKBA faces additional costs from a higher volume of out-of-country applications once the in-country route is closed as some in-country applicants are expected to apply from overseas. The cost of processing is given in Annex 4. The total cost is expected to be £2 million (PV) over 10 years.

Benefits

Direct ongoing benefits – public sector

- **Increased UKBA fee income** – UKBA will receive an increase in income from additional out-of-country applications due to the closure of the in-country route. The fees associated with these products are set out in Annex 4. The estimated cost is £6 million (PV) over 10 years.

- **Reduction in processing costs** – closing the in-country route will displace some applicants to the out-of-country route, resulting in a higher volume of applications to process. The cost of processing is given in Annex 4. The total cost is expected to be £6 million (PV) over 10 years.

Wider benefits

- **Welfare savings** – dependants using this route cannot claim welfare benefits as their sponsor must sign a 5-year undertaking that they will have no recourse to public funds. Thus we assume that the change in volumes granted ILE and ILR will have no impact on the payment of welfare benefits.

- **Reduced public service provision (reduction in health costs)** – where there is a reduction in the volume of family route migrants coming to the UK, there will be a proportionate reduction in health costs, assuming migrants have the same unit costs as the UK average. Under these assumptions, we estimate the cumulative reduction in health costs will be around £23 million (PV) over 10 years. Reducing the volumes of elderly dependents is not expected to generate savings in education and criminal justice. See Annex 5 for detailed calculations and sources. There will also be benefits associated with reduced burdens on other public services, such as transport, local council services and congestion. It is not possible to quantify these impacts.

Summary of costs and benefits

A summary of the key monetised costs, benefits and transfers is set out below.

Table 8: Summary costs and benefits of proposal 2.4

Costs	10 yr impact
<u>Costs</u>	(£m) (PV)
1. Increase in casework costs	£2
2. Reduction in UKBA fee income	£23
Total costs	£24
Benefits	
1. Reduced ILE and LTR casework costs	£6
2. Increased UKBA fee income	£6
3. Reduced welfare benefit costs	£0
4. Reduction in health costs	£23
Total benefits	£35
Net Impacts	£10

Sensitivity analysis

The key sensitivities are the impact of the proposal on ILR in-country applicants and how many are likely to apply instead from outside the UK, and the proportion of out-of-country ILE applicants as parents and grandparents aged 65 or over who are likely to fail the most exceptional compassionate circumstances criterion already applicable to other applicants. The central estimate assumes that 50 per cent of that group applying for ILE will fail and 25-50 per cent of those who would have applied in-country for ILR will instead apply from outside the UK for ILE.

- Assuming there is a 25 per cent propensity for in-country applicants to apply from outside the UK and a 25% reduction in ILE grants, the NPV falls to -£2 million over 10 years.
- Assuming there is a 75% propensity for in-country applicants to apply from outside of UK and a 75% reduction in ILE grants, the NPV increases to £25 million over 10 years.
- If indirect effects are excluded from the NPV, the NPV is £11 million over 10 years.

2.5 Publish list of factors associated with genuine/non-genuine relationships; tackle abuse of the family route, including measures to tackle sham and forced marriages

Current policy

A partner entering the UK under the family route must be in a subsisting relationship and intend to live together permanently with their sponsor in the UK. These requirements will remain in the new immigration rules.

Proposal

To provide a focus for objective, evidence-based casework consideration of these issues, UKBA will publish guidance on the factors associated with genuine and non-genuine relationships. Examples include speaking a common language and having a shared understanding of key facts associated with the relationship, such as when and where the couple first met. This is intended to ensure a consistent approach across in-country and out-of-country applications. It will also make it clear to genuine applicants what information they may need to provide.

Sham marriages

Those involved in sham marriages undermine our immigration system and help the organised crime gangs who profit from exploiting vulnerable people and breaking our immigration laws. In 2011, the UKBA received 1,741 reports from registration officers of suspected sham marriages, compared with 934 in 2010. The UKBA investigates reports of sham marriages and in the past year enforcement action has resulted in many arrests and several convictions.

Other proposals in the family consultation which remain under consideration include:

- A ban on sponsorship for up to 10 years if a person is convicted of bigamy or an offence associated with sham marriage.
- Making 'sham' a lawful impediment to marriage in England and Wales and giving the authorities in England and Wales the power to delay a marriage where it is suspected of being a sham.
- Requiring, on a targeted basis, applications for leave to remain based on marriage or partnership to be made in person.
- Conducting targeted home visits to test whether the relationship is still continuing before settlement in the UK is granted on the basis of it.

The proposals outlined are within UKBA's remit or require primary legislation. We therefore set out the potential impacts of the combined set of policy proposals. The analysis is initial and relatively descriptive given the uncertainty around levels of abuse and the potential effectiveness of policy proposals in this area. We set out the potential enforcement costs and describe the potential benefits to victims and to the UK of reduced abuse.

Impact

In 2011, 33,500 spouses entered the UK on a visa leading to settlement and a further 13,700 were granted access to the family route in country. We estimate that up to 5 per cent more applications could be refused on the basis that using the published factors enables them to be established and evidenced by UKBA as not being based on a genuine relationship. The volume of applications is not expected to be affected, only the volume of grants. Of those refused, it is assumed that all will appeal and UKBA will win 80 per cent of those appeals.

The scale of abuse identified in the family route through sham marriages is set out above. The proposals are expected to have positive impacts in terms of reducing the level of abuse. We do not attempt to quantify the volume impacts as the evidence is not robust enough to justify any estimates.

Costs

Direct set up costs

- ***UKBA staff training and familiarisation costs*** – there will be costs to UKBA of training and familiarising staff with the new rules and guidance. There are around 500 UKBA casework staff that will

need to be trained in the new rules and guidance. We estimate training will require around 2 hours for case work staff. Assuming the hourly wage is £15,²¹ the training impacts are estimated at around £0.02 million in year 1 only.

- **Increased UKBA case processing costs** – the UK Border Agency is developing a strategy for targeted use of home visits and interviews to test the genuineness of relationships on which family route applications are based. This work is ongoing, but for illustrative purposes only this impact assessment assumes that 5 per cent more in-country cases will receive a home visit and 5 per cent more out-of-country cases will be interviewed. Including costs associated with interpreters, the cost of these visits and interviews is expected to £1.1 million over 10 years.

- **Enforcement costs** – there will be an impact on enforcement costs to UKBA in the short run as enforcement of family route cases is increased. Given general downward pressures on staffing and resources, there is unlikely to be an increase in enforcement costs, but there will be consideration of the relative prioritisation within existing resources of work to tackle abuse of the family route. This will be balanced over time by possible savings if a better system reduces abuse.

- **Appeals and judicial reviews** – it is assumed that all cases refused on genuineness will appeal the decision. On the assumption that an appeal costs UKBA around £130 and HM Courts and Tribunals Service around £325, minus the appeal fee of £80 for a paper hearing, the total cost is expected to be £3 million over 10 years.

- **Impacts on income and employment of non-residents** – if there is a reduction in partners coming to the UK, there may be a reduction in the income of potential migrants, as some of those partners could have entered employment in the UK.

Benefits

The package of measures set out above is designed to reduce abuse of the family route. There will be direct and indirect benefits, mainly to victims of abuse associated with sham marriage, but also to UKBA and to wider society from a reduced level of abuse.

Reduced abuse of the family migration route

- **Reduced abuse of victims** – there will be a reduction in harms to victims of abuse across the family routes, for example victims of sham marriages.

- **Reduction in organised crime** – sham marriages are in some cases perpetrated by gangs of organised criminals. Greater targeting of sham marriages can be expected to reduce organised crime.

- **Reduced exploitation of the immigration system** – there will be a reduction in abuse of the family route by migrants who should not be allowed to enter or to remain in the UK. This should reduce burdens on the taxpayer through reduced access to welfare benefits and other social services such as health and education.

Wider benefits – reduced burdens on the taxpayer

- **Welfare savings** – there may be some benefit from reducing of family migration by the introduction of the minimum income threshold, as this should improve the financial self-sufficiency of those who qualify. Those who no longer qualify will not be able to claim benefits and those who do qualify should be less likely to claim benefits. Benefit take-up rates are calculated for benefit units – which can be explained as a family unit. It is estimated that becoming a family sponsor, and moving from a single person to a family unit, costs between -£281 and £2,995 per year in benefits. This is calculated based on take-up rates and the average payment of each benefit across benefit units. The benefit take-up rate for single people is higher for many benefits than for couples or families, which leads to a potential negative impact as a result of family migration sponsorship. See Annex 5 for more detailed assumptions.

²¹ We use the median wage for “Government Administration” worker in the ASHE survey 2011, £12.80 per hour, and apply on-costs of 21% in line with BIS guidance.

An estimated reduction in family migrants of up to 5,000 people by year 10 would generate estimated benefit savings in the order of £25 million (PV) over 10 years.

- **Reduced public service provision** (reductions in health and criminal justice system (CJS) costs) – the proposal should increase the integration of family migrants and this could help reduce pressures on public services. Where there is a reduction in the volume of family route migrants coming to the UK, there will be a proportionate reduction in the costs of health and CJS costs, assuming migrants have the same unit costs as the UK average. Under these assumptions, we estimate the cumulative reduction in health costs will be around £41 million (PV) over 10 years and the reduction in CJS costs will be around £3 million (PV) over 10 years. See Annex 5 for detailed calculations, assumptions and sources. There will also be benefits associated with reduced burdens on other public services, such as transport and local council services, and reduced congestion. It is not possible to quantify these impacts.

Summary of costs and benefits

A summary of the key monetised costs and benefits is set out below. Overall, we believe the monetised and non-monetised benefits of this proposal are significantly greater than the monetised and non-monetised costs. The expected costs are very small.

Table 9: Summary costs and benefits of proposal 2.5

Costs	10 yr impact
Costs	(£m) (PV)
1. Training costs	£0
2. Increased case work costs for interviewing	£1
3. Increased case work costs for home visits	£0
4. Increase in costs of enforcement operations	not quantified
5. Increase in appeals	£3
6. Increase in JR's	£0
Total costs	£4
Benefits	
1. Reduced public service costs of those refused	£44
2. Reduced access to benefits for those refused	£26
Total benefits	£70
Net Impacts	£65

Numbers may not sum due to rounding

Sensitivity analysis

The key sensitivity is the impact of the proposal on the volume of people prevented from entering or remaining in the UK when they are not in a genuine relationship. The central estimate assumes that 2.5% of people fail to qualify.

- Assuming there is a 0% fall in those qualifying, the NPV becomes £0 million over 10 years.
- Assuming there is a 5% fall in those qualifying, the NPV becomes £180 million over 10 years.

2.6 Restrict full right of appeal for family visitors

Current policy

Currently, those refused a visa to visit a qualifying family member in the UK can appeal against the decision. In 2011, there were 452,200 applications for a family visit visa, of which 370,200 were issued. Around 49,500 appeals were received by the First-tier Tribunal (Immigration and Asylum Chamber) against refusals of a family visit visa in 2010-11, of which around 38 per cent were allowed.²² This volume is expected to fall to 36,000 in future years due to the introduction of charges for family visit visa appeals in December 2011.

Proposal

i) The proposal is to restrict the definition of family members who attract the full right of appeal to immediate family with settled, refugee or humanitarian protection status in the UK. The proposal is not intended to reduce the volume of family visit visa applications, but will mean that those refused a visa to visit a family member not within the new definition will no longer have a full right of appeal. Subject to Parliamentary approval of the required secondary legislation, this change will be introduced in July 2012.

ii) It is also proposed to remove the full appeal right for all family visitors through primary legislation by January 2014. This proposal is also not intended to reduce the volume of applications for visits by family members but, as for other visit visas, will restrict appeals to those based on human rights or race discrimination grounds. Subject to Parliamentary approval and Royal Assent, this change will be made by 2014 through the Crime and Courts Bill, published on 11 May 2012. The impacts of this change are included in the impact assessment for the Bill.

Only the impacts in the meantime (from July 2012 to December 2013) of limiting the appeal right through changes to definitions through secondary legislation are captured in this impact assessment.

Impact

It is estimated that proposal (i) will reduce the volume of family visit visa appeals by between 20 per cent and 40 per cent²³. Applicants refused a visit visa whose family member in the UK does not meet the restricted definition will not have a full right of appeal. The overall volume of family visit visa grants is expected to fall as a result, but some applications are likely to be displaced into the general visitor route, which is likely to see an equal increase in applications as a result.

Those refused a visit visa can reapply as many times as they wish and provide further information in support of their application, whether they are a family visitor or general visitor. Removing the full right of appeal from some family visitors is likely to lead to an increase in applications for a visit visa as a result of those refused not being able to appeal and making a further application instead. We have assumed that 50 per cent of those who are no longer able to appeal will reapply. A range of 0-100 per cent is tested in the sensitivity analysis. Using the central assumption, it is estimated that there will be 4,100 additional visit visa applications, resulting in 3,200 additional grants. This will be offset by a fall in the number of allowed appeals of 3,300.

Table 10: Estimated impact of restricting family visit visa appeals per annum

Application stage	Pre-Policy	Impact	Post-policy
Family visit visa (FVV) applications	452,200	Increase due to reapplications by 50% of those refused permission to appeal.	456,300 (452k initial applications and 4,100 re-applications on either family visit visa or standard visit visa route)
FVV grants	370,200	Possible reduction due to difference in current allowed appeal volumes and grants from reapplications	370,100 from 2014 onwards (depending on behavioural response of migrants)
FVV appeals*	36,000	Reduction of 30% in years 1 and 2. Reduction of 90% in future years	27,900 in years 1 and 19,800 in year 2

²² See: MOJ Statistics: <http://www.justice.gov.uk/publications/statistics-and-data/tribunals/annual-stats.htm>

²³ Based on a sample of 1815 family visit visa appeals in 2010

Note – the table above sets out the volume changes assuming a 50 per cent reapplication rate by those who can no longer appeal. If we assume the reapplication rate is zero, there would be no change in visit visa applications and a reduction in overall visit visa grants; if we assume the reapplication rate is 100 per cent, there will be a significant increase in visit visa applications and an overall increase in visit visa grants – this could lead to additional benefits to the UK as discussed in the sensitivity analysis section.

Costs

Direct ongoing costs

Operational costs to UKBA

- **Increased UKBA case costs** – there will be an increase in UKBA case costs if those refused a visit visa reapply. The unit cost of processing a visit visa case is £140. Assuming 50 per cent of those refused permission to appeal reapply, there will be around 4,100 additional visit visa applications, at an estimated cost of around £1 million (PV) over 10 years.
- **Loss of fee income to HM Courts and Tribunals Service** – a reduction in the volume of family visit visa appeals will reduce the fee income received by HMCTS. Currently such appeals are charged at £80 for a paper hearing and £140 for an oral hearing. Currently twice as many oral hearings than paper hearings are requested. There is expected to be a 6-month time lag before the lost fee income is observed, due to the time taken to process an appeal. If family visit visa appeals ultimately fall by 90 per cent, lost fee income will total £2m (PV) over the time period assessed.
- **Increase in judicial reviews** – It is thought that the volume of judicial reviews will increase as a result of the policy changes. This will have cost implications for UKBA and HMCTS. As volumes are unknown, these costs have not been quantified.

Benefits

Direct ongoing benefits – public sector

This proposal will lead to a number of direct and indirect benefits to the public sector, including the UKBA. The main benefits are around reduced burdens on the taxpayer due to the reduced costs of family visit visa appeals. The UKBA is currently working with the Ministry of Justice to review appeal costs and how these are apportioned between departments to support the delivery of savings. In the meantime, we have made an assessment of the indicative benefits.

- **Reduced UKBA/Tribunal appeal costs** – there will be a reduction in the volume of family visit visa appeals which will bring savings to UKBA and HMCTS. The total cost of a family visit visa appeal is £400 to HMCTS and £191 to UKBA. HMCTS estimate that around 50 per cent of this cost is variable over the first 5 years of this impact assessment, followed by 66 per cent over the next 5 years as more resources are released. UKBA estimate that around 66 per cent of the costs are variable. The variable cost savings are estimated to be £3 million (PV) to HMCTS and £2 million (PV) to UKBA over the period assessed – July 2012 to December 2013.

HMCTS estimate that 50 per cent of the cost is fixed over the first 5 years and 34 per cent is fixed over the next 5 years. It is estimated that 50 per cent of this proportion can be classed as a cashable saving. The remaining 50 per cent can be classed as an opportunity cost saving, in that the resource can be used for other cases but cannot be cashed. It is estimated that the cashable savings to HMCTS are £2 million (PV) over 10 years, with a further £2 million (PV) in opportunity cost saving.

UKBA estimate that around a third of the cost is a fixed cost, although resources may be reused both within the UKBA and HMCTS, in particular to increase the speed of throughput of appeals where there is a greater impact on the individual or the public (e.g. asylum, deportation or settlement). This will be reallocated to other areas of UKBA's business. The estimated saving is £1 million (PV).

The total savings to HMCTS and UKBA are given in table 11 below:

Table 11 – Estimated savings to HMCTS and UKBA due to reduced FVV appeals

Saving to		£m (PV)
HMCTS	Variable	£3
	Fixed - cashable	£2
	Opportunity Cost	£2
	Lost fee income	£2
UKBA	Variable	£2
	Fixed - cashable	£1
	Total	£6
	Total including opportunity cost	£8

Operational benefits to UKBA

- **Harms associated with other abuse of the family route** – there is some evidence of abuse in the family visit route, such as abuse of the family visit visa as a means of seeking to remain in the UK. In 2009, 22,570 asylum applications were refused, 219 (1 per cent) of which were claims matched to family visit visas issued on appeal. In 2011, 15,600 asylum applications were refused, 484 (3 per cent) of which were claims matched to family visit visas issued on appeal.
- **Increased UKBA fee income** – there will be an increase in UKBA fee income if those unable to appeal reapply. The fee for visit visa applications is £76. Assuming 50 per cent of those unable to appeal reapply, there will be around 4,100 additional visit visa applications, at an estimated benefit of £1 million over 10 years. This benefit is uncertain and depends on the behavioural response of family visitors.

Wider benefits – wider UK economy*Costs to the private sector*

- **Air fares to carriers from a change in family visitors** – an increase in visit visa grants will increase the air fares paid by overseas visitors to UK carriers. The central estimate estimates a small increase in visitors; the low option estimates a fall in visitor numbers. Costs falling to carriers outside the UK are not in the scope of this impact assessment. Evidence on air fares from the Civil Aviation Authority suggests air fares to the UK are around £570 on average. Evidence from the Department for Transport suggests around 55 per cent of carriers are UK-based. Using the assumptions set out above, we expect an increase in visit visa grants of around 500 per annum in the central estimate. The estimated benefit of additional air fares to UK carriers is less than £0.1 million over the period assessed. The costs or benefits to the airline industry are considered transitional costs as in the longer term, the industry will adjust to absorb the effects on demand and supply will adjust so there will be no long-term impact on UK economic output growth. The model therefore applies a scaling down factor to represent how the impacts fall over time.
- **Change in tourist spend by visitors to the UK** – a increase in visit visa grants will increase the amount of tourist spend in the UK by overseas visitors. Evidence on tourist spend from the IPS suggests family visitors spend on average £690 per visit to the UK. Using the assumptions set out above, we expect an increase in visit visa grants of around 500 per annum. The estimated benefit of additional tourism expenditure to the wider economy is around £0.1 million over the period assessed. As for the airline industry, this is considered a transitional cost/benefit and a scaling factor has been applied over time.

Note – the above costs are uncertain and depend on the behavioural response of family visitors.

Summary of costs and benefits

A summary of the key monetised costs and benefits is set out below.

Table 12: Summary of costs and benefits of proposal 2.6

Costs	10 yr impact
<u>Costs</u>	(£m) (PV)
1. Increase in case working costs	£1
2. Lost appeal fee income to HMCTS	£2
Total costs	£3
Total costs (discounted)	£3
Benefits	
1. Reduced appeal costs to Tribunals	£6
2. Reduced appeal costs to UKBA	£3
3. Increase in fee income from additional visit visa applications	£1
4. Reduction in visitor expenditure in UK	-£0.1
5. Reduction in air fare expenditure	-£0.0
Total benefits	£10
Total benefits (discounted)	£10
Net Impacts	£7
Net Impacts (discounted)	£7

Sensitivity analysis

The key sensitivity is the proportion of visit visa applicants who are refused and reapply. There is limited evidence available on the behavioural response, so we provide a range of potential response of between 0 per cent and 50 per cent:

- Assuming a 0 per cent reapplication rate, the NPV falls to £1 million over 10 years.
- Assuming a 100 per cent reapplication rate, the NPV increases to £10 million over 10 years. In this scenario, there would be an overall increase in visit visa grants and potential benefits to the tourism industry and UK carriers.

Under each of the scenarios there is a significant positive impact to the UK, largely due to the reduction in appeal costs to UKBA and HMCTS.

Overall, we believe the monetised and non-monetised benefits of this proposal are significantly greater than the monetised and non-monetised costs.

2.7 New approach to family immigration rules, reflecting the Government's view of how the balance should be struck between the right to respect for family life and the public interest in controlling immigration and protecting the public, under Article 8 of European Convention on Human Rights (ECHR)

The proposals outlined as part of Option 2 will form part of new family immigration rules which properly reflect the public interest under Article 8 in qualifying the right to respect for family or private life in order to safeguard the economic well-being of the UK by controlling immigration and to protect the public from foreign criminals. The new immigration rules will unify consideration under the rules and Article 8, by defining the basis on which a person can enter or remain in the UK on the basis of their family or private life.

Current policy

The current requirements of the immigration rules do not adequately reflect the factors which can weigh in favour of a person's claim under Article 8 of the ECHR, e.g. a child's best interests, or against criminality or poor immigration history. Family life applications are first considered by UKBA under the rules and, if the application does not meet the requirements of the rules, UKBA then considers whether the decision is compatible with Article 8. If the decision is not compatible, or the Courts find that to be the case, discretionary leave (DL) is granted outside the rules.

Proposal

Currently, those who do not meet the rules but to whom DL is granted on the basis of Article 8 are in a better position, with immediate access to welfare benefits if they are eligible for them, than those who qualify for leave under the immigration rules (who cannot access welfare benefits until settlement). In future, whether a person makes a charged application under the family immigration rules, or Article 8 is considered in an asylum application or through the appeals or enforcement process, the person will be expected to meet the requirements of the rules to be granted leave on Article 8 grounds.

If they make a charged family application under the rules and meet all the requirements at every stage, they will be able to reach settlement in 5 years. If they cannot meet all the requirements at every stage, but can establish an Article 8 claim to remain in the UK, for example based on a child's best interests, they will be granted leave under the rules but on a longer, 10-year route to settlement.

A person who does not meet the requirements of the rules will no longer receive DL outside the rules on Article 8 grounds. In future, if they do not qualify for leave under the rules, they will normally be refused and will be expected to leave the UK.

Impact

In 2010, around 9,500 cases were refused leave under the immigration rules and granted DL on Article 8 grounds. Many of these such cases would qualify for leave under the rules under the new 10-year route to settlement for those who can establish an Article 8 claim to remain in the UK under the rules but cannot meet all the requirements for the 5-year route to settlement.

COMBINED IMPACTS OF ALL PROPOSALS

The overall impact of the policy package presented in the impact assessment is assessed in this section. The overall impact does not sum to the sum of the individual policies as some migrants may be affected by more than one policy. The monetised impacts and a full consideration of the non-monetised impacts are presented below.

A table setting out the combined monetised impacts of the policy is given in Table 13.

Table 13 – Summary of monetised costs and benefits (10 year constant prices), rounded

Costs	Low	Central	High
<u>Set-up costs</u>	(£m)	(£m)	(£m)
1. Training and familiarisation costs	£0.1	£0.1	£0.1
2. Other UKBA staff familiarisation costs	£0.0	£0.1	£0.1
3. Private and third sector set up costs	£0.2	£0.2	£0.2
<u>Ongoing costs</u>			
1. Reduction in application fees	£340	£380	£420
2. Increase in UKBA casework costs	£0	£0	£0
3. Increased process costs due to additional LTR application (2 years later)	£110	£130	£160
4. Increase in appeals	£0	£0	£10
5. Increase in JRs	£0	£0	£0
6. Reduction in direct taxes	£820	£840	£860
7. Costs of English language provision	£0	£20	£70
8. Costs of English language test	£0	£0	£0
9. Increase in visit visa casework costs	£0	£0	£0
10. Reduction in appeal fees to HMCTS	£0	£0	£0
Total costs (constant prices)	£1,300	£1,400	£1,550
Total costs (present value)	£1,050	£1,150	£1,250
Benefits			
1. Reduction in processing from fewer applications	£130	£150	£170
2. Increase in UKBA fee income from additional LTR applications (from year 2)	£200	£240	£290
3. Reduction in casework costs	£0	£0	£0
4. Reduced public service costs			
A. Reduction in health costs	£590	£700	£790
B. Reduction in education costs	£310	£420	£630
C. Reduction in criminal justice system costs	£50	£70	£80
5. Reduced benefits claimed by partners	-£120	£670	£1,540
6. Increased output from better English language ability	£0	£30	£60
7. Reduced family visit visa appeal costs to HMCTS	£6	£6	£6
8. Reduced family visit visa appeal costs to UKBA	£3	£3	£3
9. Increase in fee income from additional visit visa applications	£0	£1	£1
10. English language provision fees to UK providers	£0	£20	£70
11. Fees for English language test	£0	£1	£2
12. Reduction in family visitor expenditure in UK	-£5	£0	£3
13. Reduction in air fare expenditure on UK airlines in UK	-£2	£0	£1
Total benefits (constant prices)	£1,150	£2,300	£3,650
Total benefits (present value)	£950	£1,850	£2,950
Net impacts (constant prices)	-£100	£900	£2,100
Net present value	-£100	£700	£1,700

Transfers	10 yr impact	Low	Central	High
1. Welfare benefit savings from those delayed ILR		-£170	£730	£1,340

Wider indirect impacts – non-monetised

There will be a number of wider economic and social costs associated with the combined policies within option 2. The key effects are discussed below. The indirect costs and benefits of the policy changes are difficult to quantify, but an attempt has been made to do so where appropriate. Where this has not been possible the impact is discussed in the text.

Effect on dynamic impacts of migration on GDP per capita, trade, investment and innovation

Overall, there is not expected to be a significant impact on dynamic GDP per capita, trade, investment or innovation over the short run. The static impacts on GDP per capita will depend on the total impact on output set against the total impact on the population. The largest part of the costs from this package are derived from the negative impacts on migrants' wages, although these are not included in the NPV. However it is not possible to estimate the potential positives which might counterbalance the negative effects and so the calculation cannot take these into account.

Impact on sectors and business

If a family migrant can no longer come to the UK, under our current assumption that migrant workers do not displace non-migrant workers, the economy suffers a loss in output equal at least to the migrant wage, if they would have found employment. The loss will be greater if, as well as the wage, the economy (and the employer) also lose the additional value added by the migrant worker, over and above the wage. This is sometimes referred to as "producer surplus"; the additional output that the worker provides for the employer over and above the output represented by the wage cost.

In our analysis we have treated the loss as limited to the wage, with no loss of producer surplus. This assumption is justified in each of the following cases:

- (i) The migrant labour is employed at the margin, where the wage of the worker in a competitive labour market is driven to equal the output produced, with no element of producer surplus; or
- (ii) The migrant labour has low value-added, meaning that the producer surplus, although not zero, is nevertheless very low.

We contend that the migrant workers affected by this policy change are marginal or have low value-added. They are marginal in the sense that their numbers in employment are low relative to the total labour forces across sectors and in general, family migrants lie towards the lower-end of the earnings distribution. Evidence from the Labour Force Survey suggests that those who arrived in the UK as a dependent earn around £17,000 (see Annex 3), compared to a mean of £26,500 for all workers (ASHE 2010) The overall impact on businesses is therefore expected to be negligible as a reduction in output is offset by the reduction in wage expenditure. There may however be some short-term impact on employers as they respond to the new rules, but these are uncertain and difficult to accurately estimate.

There is not expected to be a significant impact on any sectors as the employment and earnings of family migrants are relatively low compared to the UK average, and the volumes prevented from coming to the UK are low relative to the total sectoral labour forces.

Impacts on net migration

The MAC²⁴ has estimated that there is a scaling factor between visa grants in the family routes and IPS migration figures for those accompany/joining another person of around 0.4. Applying this ratio to the expected reduction in visa volumes might suggest a reduction in IPS migration of around 7,500 to 10,200, with a central estimate of 9,000 per annum, as a result of all of these changes to the family route. This estimate is uncertain and subject to wide error margins, and may depend on the behavioural responses of migrants and sponsors.

Regional impacts

This impact assessment assumes that family migrants are distributed throughout the UK and there are no disproportionate impacts on a specific region.

²⁴See <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/mac-limits-t1-t2/>

Impact on social cohesion

Option 2 reduces the volume of family migrants coming to and settling in the UK and may have a positive effect on social cohesion. It is not possible to accurately quantify the size of this effect.

Distributional impacts

There may be some distributional effects associated with option 2 for potential sponsors of family migrants as those affected will be those that have the lowest earnings. There may, however, be positive effects on lower paid resident workers if they are more likely to find employment. Overall, it is not possible to quantify the size of these effects.

A summary of the non-monetised costs and benefits is set out in the tables below.

Table 14: Summary of non-monetised impacts of option 1 and option 2

Non-Monetised Impact	Option 1	Option 2
Policy Objectives	Assessment against objectives	Assessment against objectives
Implement a balanced and fair family immigration system	High risk of continued issues of complex family rules, lack of balance between human rights and public interest (see discussion of current complexities in the IA evidence-base)	Significant increase in clarity and consistency of immigration rules, improved balance between human rights and public interest (see impacts discussed in IA evidence-base)
Reduce abuse of family route	High risk of continued abuse of family route (see evidence of abuse of the family route in the IA evidence-base)	Reduction in risk of abuse of family route due to clearer rules and greater enforcement (see impacts discussed in IA evidence-base)
Reduce burden on state	High risk of continued burdens on the state by some family migrants (see evidence of salary, employment rates and benefit use by family migrants and their sponsors in IA evidence-base)	Large reduction in risk of burdens on the state due to fewer family migrants at lower income levels due to higher M&A income threshold (see impacts discussed in IA evidence-base and in the MAC 2012 report)
Improve integration	High risk of continued poor integration outcomes for some family migrants (see evidence on language and earnings by family migrants in IA evidence-base)	Small increase in integration outcomes for some family migrants and dependants that learn English (see impacts discussed in IA evidence-base)
Protect the public and UK economy	Risk of family route leading to negative effects on UK residents and the UK economy (see evidence on risks of negative impacts on residents in the IA evidence-base)	Reduction in risk of negative effects on UK residents (see impacts discussed in IA evidence-base)
Improve public confidence	High risk of continued negative perceptions of and low public confidence in the immigration system (see evidence on low public confidence in the IA evidence-base)	Small increase in perceptions of and public confidence in the immigration system due to greater enforcement (see impacts discussed in IA evidence-base)
Wider impacts		
Economic impacts	Assessment against wider impacts	Assessment against wider impacts
Impact on dynamic impact of migration on economy (on GDP per capita, trade, investment and innovation)	No effect on current dynamic impact on migration on GDP per capita, trade, investment and innovation (see discussion in IA evidence-base and in the MAC 2012 report)	Risk of negative short-term effect on dynamic impacts of migration. This will be mitigated as the average productivity of family migrants in the UK will be higher, and hence their long-term average contribution to dynamic GDP per capita, trade, investment and innovation should be higher (see impacts discussed in IA evidence-base and the MAC 2012 report)
Social impacts	Assessment against wider impacts	Assessment against wider impacts
Social impacts – public service provision	Risks of continued negative social and wider public service impacts (above those monetised) associated with migrants and their dependants settling in the UK over the short and long-run	Reduced risk of negative social impacts and wider public service provision associated with migrants and their dependants settling in the UK over the short and long-run due to reduced

	(see discussion in IA evidence-base and in the MAC 2012 report)	volumes (see impacts discussed in IA evidence-base and the MAC 2012 report)
Social impacts – congestion and the transport network	Risks of continued negative social impacts associated with migrants and their dependants settling in the UK over the short and long-run (see discussion in IA evidence-base and in the MAC 2012 report)	Reduced risk of negative social impacts of congestion and transport use associated with migrants and their dependants settling in the UK over the short and long-run due to reduced volumes (see impacts discussed in IA evidence-base and the MAC 2012 report)
Social impacts – housing	Risks of continued negative social impacts associated with migrants and their dependants settling in the UK over the short and long-run (see discussion in IA evidence-base and in the MAC 2012 report)	Reduced risk of negative social impacts on housing associated with migrants and their dependants settling in the UK over the short and long-run due to reduced volumes (see impacts discussed in IA evidence-base and the MAC 2012 report)
Social cohesion	Risks of continued negative social impacts associated with migrants and their dependants settling in the UK over the short and long-run (see discussion in IA evidence-base and in the MAC 2012 report)	Reduced risk of negative social impacts associated with migrants and their dependants settling in the UK over the short and long-run due to reduced volumes and greater enforcement (see impacts discussed in IA evidence-base and the MAC 2012 report)
Distributional impacts	Positive impacts on lower income residents that use the family route	Small negative impact on lower income residents that can no longer use the family route if they do not have the required income to support their spouse
Impacts on resident sponsors affected	Continued benefits for lower income sponsors that can currently use the family route	Significant costs for lower income sponsors that will not be able to use the family route to bring their spouses and/or dependants to the UK
Impacts on non-residents affected	Continued benefits for non-residents that can currently use the family route and gain benefits of living in the UK	Significant costs for non-residents that will no longer qualify for the family route and cannot join their family in the UK
Risks	Assessment of risks	Assessment of risks
Policy risks	Low level of risk or unintended effects	Low level of risk or unintended effects

This assessment of the non-monetised impacts shows that option 2 has been appraised as being more effective than option 1, largely due to its improved performance in meeting policy objectives. Whilst there may be negative impacts on lower income resident sponsors and on the non-residents that will no longer qualify to come to the UK, there are also important non-monetised social benefits in public service provision, congestion, transport, housing and cohesion due to the reduced volume of family migrants coming to and settling in the UK; and due to reduced abuse of the family route.

F. Risks

Modelling risks

There are a number of sensitivities and uncertainties associated with the impacts modelled in this impact assessment. The high/low ranges are set out in the table below to highlight the key sensitivities across each option. The key sensitivities have been discussed under each option. The assumptions used to calculate the high and low estimates are set out in annex 4.

Low assumptions

Policy proposal	10yr cost	10yr bens	NPV
Do nothing	0	0	0
Minimum income threshold	920	830	-90
Ending ILE and delaying ILR	260	280	20
Increasing EL requirements at ILR	0	0	0
Restricting right of appeal for family visitors	2	3	1
Adult/elderly dependants	19	18	-2
Genuineness factors	0	0	0
Total	1200	1130	-70
Combined Policy effect	1050	950	-100

High assumptions

Policy proposal	10yr cost	10yr bens	NPV
Do nothing	0	0	0
Minimum income threshold	980	2570	1590
Ending ILE and delaying ILR	260	280	20
Increasing EL requirements at ILR	110	250	125
Restricting right of appeal for family visitors	4	14	10
Adult/elderly dependants	30	55	25
Genuineness factors	12	195	180

Total	1400	3360	1950
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Combined Policy effect	1250	2950	1700
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G. Impact on business

Three of the proposals in this impact assessment are expected to have impacts on the private sector.

Proposal 2.2 – Ending ILE for partners and extending probationary period for partners before ILR

This will require migrant applicants to undertake a further application to extend their leave in the UK before they can apply for settlement. It may be the case that migrants who use immigration advisers for their ILR application will also use them to extend their leave in the UK. This will result in an increased level of turnover for these businesses. It is not possible to quantify this. The impact will be positive in terms of additional turnover.

Proposal 2.3 – Requiring B1 level of English language at settlement

This is expected to cause settlement applicants whose level of English language is not sufficient to undertake language tuition while in the UK. This will result in increased demand for language tuition, which may either raise prices or lead to increased entrants to the market. For the purposes of the impact assessment, we have assumed that demand will be met, implying that supply will increase. Given the low barriers to entry to this type of business, we believe that this is likely. The impact will be positive in terms of additional turnover. We have estimated that **£14 million** (PV) over 10 years will be spent on additional tuition.

All migrants applying for settlement will be required to produce evidence that they meet the language level required – in the form of a test certificate. This will represent an increase in turnover for companies in the UK providing these services. Given the barriers to entry and accreditation required to issue certificates, this is likely to predominately affect larger companies. We have estimated that an additional **£1.0 million** (PV) will be spent on obtaining language testing.

We do not believe that these benefits to businesses should be included as regulatory impacts as part of the Government's One In, One Out (OIOO) agenda. Guidance suggests that only direct impacts should be included as part of OIOO.²⁵ The direct impact of these proposals is on family migrants wishing to settle in the UK. The benefits to firms offering English language tuition and testing, through additional turnover, are indirect impacts.

Proposal 2.6 – Restricting family visit visa appeals

This proposal may result in a fall in the number of family visitors to the UK. This impact is very sensitive to the assumptions tested in the impact assessment on propensity to reapply. It is possible that the changes could result in an increase in visits.

Any change in the number of visits will affect the tourism industry in the UK and transport companies involved in carrying people to the UK. We estimate that a fall in family visitors could lead to fall in airline revenue of less than **£0.1 million** (PV) over 10 years.

²⁵ Paragraph 32 of HMG (2011) One In, One Out Methodology. Available at <http://www.bis.gov.uk>

Other industries in the UK affected by tourist expenditure are likely to include hotels, restaurant and leisure activities. As set out in the impact assessment, we expect costs to these industries to amount to a fall in revenue of **-£0.1 million (PV)** over 10 years. These costs higher in the first year and fall over time as we expect companies to adjust to changes in demand and reduce supply or reduce prices.

We do not believe that these costs to businesses should be included as regulatory impacts as part of the Government’s OIOO agenda. As described above, guidance suggests that only direct impacts should be included as part of OIOO. The direct impact of these proposals is on family visitors who may no longer be able to visit the UK. The impacts on tourist businesses and carriers cannot be determined with any precision, appear likely to be small in either direction and are indirect impacts.

H. Summary and Recommendations

The table below outlines the summary costs and benefits of the proposed changes.

Table H.1 Costs and Benefits		
Option	Costs	Benefits
2	£1,150 million (PV over 10 years)	£1,850 million (PV over 10 years)
Source: UKBA Analysis		

The preferred option is option 2 – reform of the family migration route. Overall, whilst there are high monetised costs associated with option 2, the monetised benefits outweigh the costs. There are also a number of non-monetised costs and benefits that should be taken into consideration.

I. Implementation

The Government plans to implement these changes from July 2012. There may be further changes to family migration policy and rules over time.

J. Monitoring and Evaluation

The effectiveness of the new regime will be monitored by the UK Border Agency. This will include:

- Monitoring the volume and characteristics of family migrants and their sponsors that apply for and qualify through the family migration route from 2012 onwards; and
- Monitoring IPS net migration to see if there are any changes in non-EU inflows for the “accompany/join” category post-implementation.

K. Feedback

Feedback and findings from monitoring will be incorporated into the post-implementation review of the policy to inform future policy decisions on employment-related settlement.

L. Specific Impact Tests

See Annex 1 for details.

Annex 1 – Specific Impact Tests

Statutory Equality Duties

Equality Impact Assessment

A Policy Equality Statement has been published.

Economic Impacts

Competition Assessment

No impact identified

Small Firms Impact Test

No impact identified

Environmental Impacts

Greenhouse Gas Assessment

No impact identified

Wider Environmental Issues

No impact identified

Social Impacts

Health and Well-being

There is expected to be a reduction in health provision costs to the UK Government as a result of option 2. These are estimated at between £480 million and £650 million over 10 years.

Human Rights

See Policy Equality Statement

Justice

The expected impacts on appeals and judicial reviews have been included in the main body of the evidence base.

Rural Proofing

No impact identified

Sustainability

Sustainable Development

No impact identified

Annex 2 – Summary of Consultation Responses

On 13 July 2011 the Government published the consultation document 'Family Migration,' containing proposals to reduce taxpayer burden, promote integration and tackle abuse of the family route. The consultation closed on 6 October 2011. 5,046 responses were received.

Spouses and partners

Introduce a minimum income threshold for sponsoring a partner on the family route: 53 per cent of respondents agreed with the proposal; 44 per cent disagreed.

Extend probationary period before settlement for partners from 2 years to 5 years: 46 per cent agreed with the proposal; 52 per cent disagreed. 50 per cent agreed the probationary period should also be increased for PBS dependants; 44 per cent disagreed.

Define more clearly what constitutes a genuine and continuing relationship, marriage or partnership: 62 per cent agreed with the proposal; 28 per cent disagreed.

End immediate settlement for migrant partners where the couple has been living together overseas for at least 4 years, and require them to complete a 5-year probationary period: 43 per cent agreed with the proposal; 53 per cent disagreed.

Require English language at B1 level for settlement: 82 per cent agreed with the proposal; 16 per cent disagreed. Of those who supported the proposal, 96 per cent agreed that speaking was a language skill that should be tested; 89 per cent agreed listening; 76 per cent agreed reading; and 62 per cent agreed writing.

Elderly dependants

Look at whether there are ways of parents or grandparents aged 65 or over being supported by their UK based relative short of them settling in the UK: 42 per cent agreed with the proposal; 42 per cent disagreed.

Prevent family visitors switching into the family route as a dependent relative while in the UK: 54 per cent agreed with the proposal; 39 per cent disagreed.

Keep the age threshold for elderly dependants in line with the state pension age: 60 per cent agreed with the proposal; 31 per cent disagreed.

Family visits

Suggest improvements to the family visit visa application process: Some suggestions are now being taken forward by UKBA.

Restrict scope for family visit visa appeals: 28 per cent agreed that, beyond human rights and race discrimination grounds, there should be circumstances in which an appeal right should be retained in family visit visa applications; 39 per cent disagreed; there were 33 per cent 'no opinion' responses.

ECHR Article 8

The requirements we put in place for family migrants should reflect a balance between Article 8 rights and the wider public interest in controlling immigration: 52 per cent agreed with the proposal; 31 per cent disagreed.

If a foreign national with family here has shown a serious disregard for UK laws, we should be able to remove them from the UK: 74 per cent agreed with the proposal; 19 per cent disagreed.

If a foreign national has established a family life in the UK without an entitlement to be here, it would be appropriate to expect them to choose between separation from their UK-based spouse or partner or continuing their family life together overseas: 52 per cent agreed with the proposal; 38 per cent disagreed.

Annex 3 – Statistics and management information on family migration

Any management information used in this document is provisional and subject to change.

Historical volumes on the family route

- **Table A3.1 - Visas issued**

Family Route	2007	2008	2009	2010	2011
ILE	10,900	5,300	7,000	10,300	7,800
Visa leading to settlement – Spouse	48,900	44,500	38,200	38,500	33,500
Visa leading to settlement – Children	100	100	100	100	100
Visa leading to settlement – Other	4,500	3,600	4,200	4,900	4,300
Total	64,400	53,500	49,500	53,800	45,700

Source – Control of Immigration Statistics, Q4 2011

Total visas issued on the family route have been fairly constant. For this reason it is estimated, that in the absence of any policy change, they will continue to remain constant in the future.

- **Table A3.2 - In-country grants of leave to remain**

Family Route	2007	2008	2009	2010	2011
Family - Main applicant grants of LTR	27,930	26,130	21,710	20,545	16,000
Family - Dependant grants of LTR	2,715	2,435	1,885	1,540	1,000
Total	30,645	28,565	23,595	22,085	17,000

Source – Control of Immigration Statistics, Q4 2011

In-country extensions have fallen significantly since 2007 and 2008. However, they are estimated to remain constant in future years in the absence of any policy change.

- **Table A3.3 - In-country settlement grants**

Family formation and reunion	2007	2008	2009	2010	2011
Husbands	13,810	15,990	19,870	18,330	14,100
Wives	23,175	25,340	35,730	34,320	27,100
Children	8,495	8,265	10,145	8,155	1,300
Parents and grandparents	1,000	975	1,005	1,240	2,200
Other and unspecified dependants	4,345	4,780	5,490	3,265	6,100
Total family grants	50,825	55,350	72,240	65,310	50,800

Source – Control of Immigration Statistics, Q4 2011

Settlement grants have been more variable than in-country extensions or visa grants. A large spike was seen in 2009 and applications in 2010 have fallen back. Grants in this category were low in previous years following a change in the qualifying period for spouses granted settlement on the basis of marriage. Given the uncertainties in the data and because year-on-year changes show no strong trend, it is assumed settlement grants will remain constant in future years in the absence of any policy change.

- **Application data**

Table A3.4 - Volume of applications and outcomes in 2011.

Category of application	Grant Rate
Child	87%
Child (Settlement)	59%
Partner	78%
Partner (Settlement)	86%
Other	70%
Other (Settlement)	63%
Child (Join/Acc)	76%

Source – UKBA Management Information. Data are uncertain and subject to change.

Table A3.5 - Summary of age distribution of family visa applicants

Age (at application)	Child (Settlement)		Partner	Partner (Settlement)	Child (Join/Acc)	Other (Settlement)	
	Child	Partner	Partner	Partner (Settlement)	Child (Join/Acc)	Other	Other (Settlement)
0-15	99%	72%	0%	0%	90%	57%	8%
16	0%	9%	0%	0%	4%	5%	2%
17	1%	12%	0%	0%	4%	5%	1%
18	0%	3%	0%	0%	1%	1%	0%
19-20	0%	2%	1%	0%	0%	1%	0%
21-64	0%	2%	99%	87%	0%	30%	37%
65-70	0%	0%	0%	8%	0%	1%	31%
71+	0%	0%	0%	4%	0%	0%	19%
Total (all ages)	100%	100%	100%	100%	100%	100%	100%

Source – UKBA Management Information. Data are uncertain and subject to change. Volumes are rounded to the nearest 5.

Table A3.6 - Spouse Applications by Gender – 2010

% of family visa applications female	68%
% of family visa applications male	32%

Source – UKBA Management Information. Data are uncertain and subject to change.

Table A3.7 - Grants of ILR during 2010 for spouses by reason for grant

ILR Grant by Type	Volume	Percentage
Grant ILR: undertaken Life in UK test	14,800	31%
Grant ILR: undertaken ESOL course	33,300	69%
Total	48,100	100%

Source – UKBA Management Information. Data are uncertain and subject to change. Volumes are rounded to the nearest 100.

- Labour Force Survey analysis of impact of income threshold**

Table A3.8 - Proportion of potential sponsors earning less than defined income

	Income Level	Annual Income	Proportion earning less than income level	Difference
UK Population	£105 per week	£5,460	13%	
UK Population	£5.93 per hour	£11,400	31%	18%

Source: LFS 2010. Analysis of WhyUK10 variable. Weighted sample size is 32.7 million. All those defined as employed.

- Labour Force Survey Analysis of spouse earnings and employment rates.**

Table A3.9 - Employment rate by key nationality - 2010

Nationality (all years of arrival)	Male		Female	
	Employed	Weighted Sample Size	Employed	Weighted Sample Size
Pakistan	73%	63,000	8%	10,000
India	74%	60,000	43%	108,000
United States	54%	23,000	55%	56,000
Bangladesh	79%	26,000	20%	14,000
Thailand	*	*	49%	18,000
Nigeria	74%	21,000	60%	34,000
South Africa	77%	14,000	57%	23,000
Australia	66%	16,000	78%	19,000
United Kingdom	68%	1,324,000	47%	1,315,000
Whole UK Population	64%	62,000,000	53%	54,000,000
All migrants	68%	8,410,000	52%	6,860,000
All Spouse Migrants	66%	2,000,000	44%	2,200,000

Source: LFS 2010. Analysis of WhyUK10 variable. * indicates sample size is not sufficient for publication

Table A3.10 - Earnings by nationality - 2010

Nationality (all years of arrival)	Male		Female	
	Median Wage	Weighted Sample Size	Median Wage	Weighted Sample Size
Pakistan	13,600	26,000	*	5,300
India	13,700	70,000	14,300	104,500
United States	28,000	18,000	18,300	49,700
Bangladesh	10,400	23,000	*	5,200
Thailand	*	4,000	7,000	13,100
Nigeria	14,900	21,000	13,800	30,300
South Africa	*	6,000	15,000	17,400
Australia	18,000	21,000	17,200	24,200
United Kingdom	24,900	1,060,000	16,800	1,197,000
Whole UK Population	24,000	50,000,000	15,000	48,600,000
All migrants	20,800	6,800,000	15,600	5,900,000
All Spouse Migrants	21,300	1,600,000	15,000	2,000,000

Source: LFS 2010. Analysis of WhyUK10 variable. * indicates sample size is not sufficient for publication

• UKBA Management Information Case File Analysis

The tables below are based on findings from a case file analysis of marriage Visa Application Forms from selected countries. The sample was based on the top 10 nationalities (excluding Turkey) of family visa applicants and so may not be representative of the full population.

Table A3.11 - Employment outcomes of family route sponsors

Sponsor current employment status	Number of sponsors	Percent
Full time	479	90
Part time	22	4
Not employed	22	4
Not known	8	2
Total	531	100%

Source - based on sample of UKBA family visa file data for granted cases.

Table A3.12 - Earnings outcomes of family route sponsors

Sponsor post-tax annual earnings GBP	Number of sponsors	Percent
<£5K	36	7
£5K to <£10K	70	13
£10K to <£15K	164	31
£15K to <£20K	106	20
£20K to <£25K	58	11
£25K to <£30K	30	6
>=£30K	55	10
Not known	12	2
Total	531	100

Source - based on sample of UKBA family visa file data for granted cases.

Table A4.9 shows that the majority of sponsors of all applicant nationalities (94%, 501) were in paid employment (includes those employed or self-employed) at the time of the application. Table A4.10 is based on post-tax annual earnings; gross earnings will be higher, except for those on the lowest earnings (i.e. below the income tax threshold)¹. The degree of difference that tax makes will, of course, generally be greater the higher the earnings. Additionally, it can be anticipated that earnings will be higher now than when the sample was drawn. The table shows that the largest percentage (61%, 342) of sponsors' had annual earnings between £10,000 and £25,000. 19% of sponsors (109) earned less than £10,000 and 12% (66) more than £30,000.

¹ Income tax personal allowance was £6,475 for 2009-10 and 2010-11, and £6,035 for 2008-09.

Annex 4 – Assumptions

This section lists the main assumptions used in the cost benefit modelling.

Table A.4.1: Key assumptions for cost and benefit estimates

Set Up costs - Private Sector		
Stock of legal advisers - Private Sector	2,000	Assumption based on OISC Annual report 2010/11
Stock of legal advisers - Third Sector	2,000	Assumption based on OISC Annual report 2010/11
Wage - Private sector lawyers	£18.73	ASHE 2011 - hourly median wage for all senior management staff – table 5a http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-256648
Wage - Third Sector lawyers	£9.72	ASHE 2011 - hourly median wage for all administrative staff – Table 5a http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-256648
Hours of familiarisation required for lawyers and immigration advisers	3	Assumption
On Costs	21%	Eurostat Labour Cost Survey 2007 ² On-costs are the additional costs (above the annual salary) incurred in employing someone to fill a position or undertake a role

Set Up costs — UKBA		
Staff volumes – UKBA caseworkers	850	UKBA assumption. Note - figures are adjusted to take account of spending review and projected decreases in staff volumes
Staff volumes – Border Force Officers	4000	UKBA assumption. Note - figures are adjusted to take account of spending review and projected decreases in staff volumes
Proportion of staff likely to need training	100%	UKBA assumption. All settlement case workers will require familiarisation training
Hours of training and familiarisation required	3-5	UKBA assumption – applies to caseworkers
Hours of training and familiarisation required	1	UKBA assumption – applies to border force officers
Hourly Wage of Public Admin staff	£12.60	ASHE 2011 - hourly median wage for Government admin staff Table 5a - http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-256648
Judicial Review - volumes	1%	UKBA assumption
Cost to UKBA of a Judicial Review	£3,372	UKBA Management Information (2010/11)

Wider Impacts – GDP impacts and up-skilling costs		
Proportion of family migrants of working age – main applicants	87%	UKBA Management Information on Age breakdown of family route migrants
Average Wage of Family route migrants	£17,000	LFS 2010
Employment Rate of family route migrants	50%	LFS 2010 Employment rate for non-EU born who came to the UK to “accompany/join”

² See: http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_costs/main_tables

Table A.4.2: Volume Modelling Assumptions

Volume Modelling assumptions	Low	Central	High	Source
Increase in spouse and partner visa applications due to change in age restriction from 21 to 18		4%		UKBA assumption on demand depressed over the past three years. One year impact only.
Proportion of family migrants that remain after 2 years		79%		Migrant Journey Analysis (Achato et al. 2010)
Proportion of family migrants that remain after 5 years		60%		Migrant Journey Analysis (Achato et al. 2010)
Volumes affected by M&A threshold – Out of country	36%	41%	46%	Assumption based on MAC recommendations
Volumes affected by M&A threshold – In country	10%	15%	20%	Assumption based on MAC recommendations
Average divorce rate for couples married between 3 and 5 years	3.5%	7%	7%	ONS – No migrant specific statistics are available. See http://www.statistics.gov.uk/statbase/Product.asp?vlnk=14124
Volumes affected by English Language proposals	0	5%	10%	Assumption
Cost of tuition course	£400	£1675	£2950	Based on sample of available courses
Elderly and adult dependants – out of country reductions	25%	50%	75%	Assumption
Elderly and adult dependants – in country applicants who will reapply from out of country (18-64)	25%	50%	75%	Assumption
Elderly and adult dependants – in country applicants who will reapply from out of country (65+)	12.5%	25%	37.5%	Assumption
Those affected by the genuineness criteria	0%	2.5%	5%	Assumption
FVV – Proportion of those denied permission to appeal who are expected to reapply	0%	50%	100%	Assumption

Table A4.3 – UKBA product fees and unit costs

Application	Products	Unit Costs as of April 2012	Fees as of April 2012
Out of country	Settlement*	£391	£826
Out of country	Settlement - Dependant Relative	£458	£1,850
Out of country	Visit visa – short	£140	£78
In country	ILR Postal – Main	£255	£991
In country	ILR Postal – Dependants	£255	£496
In country	ILR Dependant Relative Postal	£299	£1,850
In country	LTR Non Student Postal Main	£308	£561
In country	LTR Non Student Postal Dependants	£308	£281

* Visas leading to settlement and those granted settlement on entry (ILE) are both subject to the same fee out of country.

A full list of UKBA's product and unit costs are available at:

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/fees--ia-eia-april-2011/>

Annex 5 – Methodology to estimate the public service and welfare impacts

The presence of migrants in the UK places additional pressure on the provision of public services in the UK. We have attempted to quantify the impacts of a reduction in family migrants as a result of the proposals on healthcare, education and the criminal justice system. The estimated savings are shown below.

Table A5.1 – Estimated savings from reduced public service provision (PV)

Public Service	Low	Central	High
Health	£480	£570	£650
Education	£250	£340	£520
Criminal Justice	£40	£55	£70

Health

In general, lower levels of family migrants coming to and settling in the UK might be expected to reduce the total demand for healthcare, although the extent will depend on the characteristics of migrants coming and settling, and those prevented from coming and settling. Individuals can have very differing healthcare needs – the old and the very young for example have, on average, high costs, while working age adults have much lower costs.

In 2010, of family migrants (main applicants) coming to the UK, 87% were working age adults. A further 12% were children and less than 1% were aged over 65.

To estimate the effect of the policies contained in option 2 on health care costs, we inflate Hospital and Community Health Services (HCHS) per capita expenditure by age (1999-00, England)¹ by the increase in overall HCHS expenditure in England, and we assume that these per capita costs stay constant over the reference period. The figures we derive are as follows:

Table A5.2 – Annual HCHS per capita expenditure, 2010-11

Age	Per capita HCHS cost per annum
Under 5	£1,913
5 to 15	£446
16 to 44	£790
45 to 64	£1,107
65 to 74	£2,287
75 to 84	£4,057
Over 84	£6,360

We have assumed that all family migrants in the UK are able to access healthcare. The Migrant Journey Analysis² has been used to estimate the volumes that would have otherwise been in the UK in the absence of any policy change and thus would incur healthcare costs in each future year. The table below gives the estimated volume of migrants affected in each year of the impact assessment under the low, central and high scenario assumptions.

Table A5.3 – Estimated cumulative volumes not requiring healthcare under option 2

Health Volumes	1	2	3	4	5	6	7	8	9	10
Low	10900	23900	35300	45800	54700	63200	71700	80200	88600	97100
Central	13600	29900	44000	57200	68400	79000	89600	100200	110800	121300
High	16400	35900	52900	68700	82100	94900	107600	120300	133000	145700

We have used the volumes figures outlined above combined with the HCHS costs above to calculate the reduction in healthcare costs resulting from a decrease in migrants. Where the age bands do not

¹ See: http://www.ohe.org/page/knowledge/schools/appendix/nhs_cost.cfm

² See: Achato et al <http://rds.homeoffice.gov.uk/rds/pdfs10/horr43c.pdf>

compute with the healthcare ranges we have assumed that ages are equally distributed within the bands. We estimate that reducing the volume of family migrants coming to and settling in the UK will save £480m to £650m (PV) in healthcare costs over the period assessed in the impact assessment.

Education

The policy proposals are expected to affect state and independent schools through a reduction in the number of family migrants and their dependants who will come to the UK and require education.

Option 2 will result in fewer pupils, and a lower proportion with English as an Additional Language (EAL)³ than would otherwise have been the case; this may help ease delivery and funding pressures.

Overall, however, the population of 0-19 year olds is more affected by changes to the fertility rate of UK-resident women of child-bearing age than it is by changes in migration. Reductions in family migration may therefore be expected to have a relatively small aggregate effect on the demand for teachers over the reference period. However, there may also be a larger effect at the local level.

We have estimated that reducing the volumes settling through the family route could lower education spending by £250m to £520m (PV) over 10 years. This assumes that 40%-73%⁴ of dependants were aged between 0 and 16 and a further 1% were aged between 16 and 18. We have taken ageing into account and constructed an estimate of children moving through the schooling system. On advice from the Department of Education (DfE), we have assumed a participation rate of 82% for 0 to 15 year olds, and 67% for 16 to 18 year olds. The cost per year per pupil is expected to be £5,310; this is based on DfE's published revenue funding per school pupil 2010-11 plan for pupils aged 3 to 19.⁵ This amount does not include capital spending and is the best available estimate of the variable costs associated with education. We have assumed that the unit funding will stay constant during the reference period. However the spending review announced that unit funding will need to fall and therefore the cost savings are overestimated in this respect, but it is uncertain by how much.

We have assumed that children of family migrants would mainly attend state schools, but that 7% would attend independent schools, in line with the average for the UK population.⁶ Costs at independent schools may differ, and revenue may be lost at independent schools.

The participation age will rise to 17 in 2013 and to 18 in 2015; the figures in this impact assessment do not consider the impact of this change and will therefore underestimate the benefits in this respect. The impact assessment has also assumed the current participation rate for those aged between 16 and 18 will remain constant, but this may be subject to change over time. Schools and colleges may also counter the effect of fewer migrant students by recruiting more UK or EU students. This would lower the estimated cost savings.

Criminal Justice System

Reducing the volume of family migrants coming to and settling in the UK could lead to reductions in expenditure on the criminal justice system. We have used data from the Offending Crime and Justice Survey 2006⁷ and the Offending Crime and Justice Survey 2003⁸, to estimate the likelihood that an individual of a certain age would commit a crime by crime type.

Neither the police nor the criminal justice system routinely record activity by nationality or migrant status. Thus we have assumed that the propensity of non-EU migrants settling in the UK to commit crime is the same as that of British nationals of the same age group.

We used 2006 criminal justice costs by crime type⁹ inflated to 2011 prices and the propensity to commit crime to obtain the estimates shown below for the annual criminal justice cost per person dependent on age.

3 Note that not all migrant pupils have EAL and not all pupils with EAL are migrants.

4 The overall proportion depends on the 10,000 children accompanying their parents who may be counted as a family migrant. The low estimate excludes these children while the high estimate includes them.

5 (<http://www.education.gov.uk/rsgateway/DB/TIM/m002012/NSRStatsJuneGDP140809.xls>)

6 See: <http://www.education.gov.uk/rsgateway/DB/SFR/s001012/index.shtml>

7 <http://rds.homeoffice.gov.uk/rds/pdfs08/hosb0908.pdf>

8 <http://rds.homeoffice.gov.uk/rds/pdfs05/hors275.pdf>

9 <http://rds.homeoffice.gov.uk/rds/pdfs05/rdsolr3005.pdf>

Table A5.4 – The annual unit criminal justice costs of crime by age.

Age Band	Unit Cost Per Annum
10-15	£251
16-23	£283
23-45	£74

We estimate that reducing the volume of family migrants coming to and settling in the UK through option 2 could result in savings to the criminal justice system of £40m to £70m (PV) over 4 years.

Welfare savings

Gaining settlement in the UK gives migrants a number of entitlements. One of these is the ability to claim welfare benefits/tax credits for which they are eligible from DWP and HMRC. Reducing the volume of people eligible to claim these benefits/credits, through reducing the volume of family migrants coming to the UK and increase the time before which they can settle, equates to a saving to the UK Government. We have attempted to quantify the value of these savings. We recognise that these estimates are very uncertain but they give an indication of the scale of the possible benefits. Reducing the volume of family migrants coming to the UK has been measured as a direct benefit to the UK economy. Reducing benefit payments to family groups due to an increase in the length of time required to achieve settlement has been measured as a transfer due to their status (settled or UK citizen) as a UK resident.

Estimating the total impact is a complicated calculation. It depends upon the modelled reduction in migrants settling in the UK relative to the current position, what proportion of these will claim benefits and for what duration. Furthermore, benefits in the UK are usually distributed in combinations depending on earnings, family size etc.

The policies assessed in this impact assessment will reduce volumes eligible to claim welfare benefits. The minimum income threshold will reduce the number of partners settling in the UK, ending ILE and extending the probationary period before ILR to 5 years will increase the period before migrants can access welfare benefits, and the overall volumes that stay in the UK indefinitely may fall. Main applicant volumes are used to represent the “benefit unit” that is eligible to claim benefits for the entire household. The estimated cumulative volumes of main applicants affected are the given in the table below:

Table A5.5 – Cumulative volumes of benefit unit no longer eligible to receive welfare benefits

Year	Reduction in main applicants under option 2 – Low	Reduction in main applicants under option 2 - Central	Reduction in main applicants under option 2 – High
Year 1	900	800	800
Year 2	2000	2000	1800
Year 3	30600	30500	27800
Year 4	68300	68000	62100
Year 5	105900	105500	96400
Year 6	120,500	121,000	111600
Year 7	129,100	131,500	122800
Year 8	137,800	141,300	132700
Year 9	146,500	150,800	142300
Year 10	155,100	160,300	151800

DWP and HMRC do not record migrant status or nationality for benefits/credits claimants. Therefore proxies are used to estimate the take-up rate for the categories of benefit units. For family migrants, we estimate the take-up rates of the sponsor as they are the head of the benefit unit. The take-up rates take the whole of the benefit unit into account, so estimates are not generated for dependants. A benefit unit is defined as an adult plus their partner plus any dependent children.

The percentage of the UK population who take up benefits – by benefit unit

Several sources have been used to build a range around the benefit take-up rate of benefit units:

- *Minimum of range* – The proportion of benefit units who claim other benefits adjusted for type of benefit unit: DWP¹⁰ collect and publish data based on the proportion of benefit units claiming each type of benefit by age and type of unit. We have used data on the difference in the proportion of benefit units claiming as a single person compared to a family with no children.
- *Maximum of range* – The proportion of benefit units who claim other benefits adjusted for type of benefit unit: DWP¹¹ collect and publish data based on the proportion of benefit units claiming each type of benefit by age and type of unit. We have used data on the difference in the proportion of benefit units claiming as a single person compared to a family with children.

Benefit amounts

Assumptions around the likely amounts of support provided were either taken from publicly available figures or provided by other Government departments (DWP, HMRC, DCLG and DH). We have used average figures despite some benefits being determined by individual circumstances. This implies that family migrants settling have the same characteristics as the rest of the population.

The estimated figures only take into account the amount spent on income based job seekers allowance, income support, employment support allowance (ESA), tax credits, housing benefit, council tax benefit, child benefits (child benefit and child tax credit), disability living allowance, carers allowance and attendance allowance. This estimate does not include various other benefits such as social housing and homelessness assistance, access to Higher Education at the home rate and any wider social impacts.

The table below sets out the benefit amounts and the estimated take-up which have been applied to the volumes of those no longer eligible. Several of the differences in take up rates are negative, which implies that those with a family and children are less likely to claim some types of benefits than of they were single. For example, those with a family are 3.3-4.3% less likely to claim jobseekers allowance than single people. Families with children are more likely to claim child tax credit and child benefit.

Table A5.6 – benefit amounts and estimated take up by benefit unit.

Benefit Type	Benefit Amounts		Take-up rate		Note on Assumptions
	Amount per week	Annual amount	Min	Max	
Jobseeker's Allowance	£61.73	£3,210	-4.3%	-3.3%	Based on difference in % of UK population (not working age pop) that claim this type of support using DWP data.
Income support	£82.29	£4,279	-2.9%	-1.9%	
Employment Support Allowance	£73.94	£3,845	0.0%	0.0%	
Housing benefit	£87.18	£4,533	-7.6%	-2.6%	Minimum of Range: difference between a single person and a family unit with no children.
Attendance Allowance	£61.16	£3,180	0.0%	0.0%	
Carer's allowance	£53.79	£2,797	1.6%	1.6%	Maximum of Range: difference between a single person and a family unit with children.
Disability living allowance	£71.84	£3,736	1.1%	-0.4%	
Council tax benefit	£15.76	£820	-6.0%	-3.0%	
Child tax credit		£3,151	0.0%	54.0%	
Working tax credit		£1,228	0.6%	13.6%	
Social fund payment		£0			
Child benefit		£1,500	0.0%	95.0%	

The table below sets out the expected savings from reducing the volume of people who are eligible to claim welfare benefits. **Please note: there is a high degree of uncertainty around these estimates.**

Table A5.7 – Estimated reductions in welfare expenditure

Welfare Savings	Low	Central	High
Welfare	-£120	£530	£1,540
Transfers from Migrants in the UK	-£135	£600	£1,095

¹⁰ See: http://www.dwp.gov.uk/asd/asd1/tabtools/nino_alloc_summ_tables_may09.xls

¹¹ See: http://www.dwp.gov.uk/asd/asd1/tabtools/nino_alloc_summ_tables_may09.xls

Note - the minimum figure assumes the average duration for support is 6 months, the maximum assumes 1 year.

The estimates presented in this impact assessment do not take account of the planned introduction of Universal Credit as the impact on entitlements for migrants is not yet clear.

Universal Credit is expected to be open to new claims in October 2013, with individuals being migrated over from the existing income-related benefits over the subsequent 4 years. A majority of households will be entitled to higher entitlements under Universal Credit, with 85% of gains going to those in the bottom two quintiles of the income distribution. Whilst some households will have lower entitlements under Universal Credit, it is important to recognise that transitional protection will ensure there are no cash losers at the point of change. Overall, it is estimated that benefit expenditure will be around £2.6bn higher once Universal Credit is fully implemented. This estimate includes an increase of £2bn due to changes in entitlement rules and totals around £2.6bn after accounting for increased take-up. Offsetting this, it is estimated that there will be savings of around £2bn due to reduced fraud, error and overpayments together with changes to the earnings disregards that currently exist in tax credits.