

Title: Impact Assessment for EU Settlement Scheme – Updated analysis IA No: HO0333 RPC Reference No: N/A Lead department or agency: Home Office Other departments or agencies: N/A	Impact Assessment (IA)
	Date: March 2019
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: feesandincomeplanning.requests@homeoffice.gsi.gov.uk
Summary: Intervention and Options	RPC Opinion: N/A

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
-£65.2 million to -£501.1 million	N/A	N/A	N/A	N/A

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

The draft Withdrawal Agreement with the European Union (EU) covers the rights of EU citizens living in the UK and UK nationals living in the EU (and of the family members of both) by the time the UK withdraws from the EU on 29 March 2019 and of EU citizens arriving in the UK and UK nationals arriving in the EU (and of the family members of both) by the end of the proposed implementation period on 31 December 2020. The UK is implementing the residence aspects of the draft agreement through the EU Settlement Scheme which will enable resident EU citizens and their family members to apply for the UK immigration status which they will require to remain in the UK beyond the implementation period. The scheme will also be available to those EU citizens resident in the UK by 29 March 2019, and their family members, in the event that the UK withdraws from the EU without an agreement.

What are the policy objectives and the intended effects?

The objective of the policy is to enable resident EU citizens and their family members to apply for UK immigration status through a straightforward, user-friendly process, in line with the draft Withdrawal Agreement or in the event that the UK withdraws from the EU without an agreement.

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

The Government has made clear that free movement of people will end as the UK leaves the EU, and the Immigration Bill introduced in December 2018 will bring EU migration under UK law, enabling the UK to set out its future immigration system in domestic legislation. But for the purposes of providing a baseline for assessing the impact of the EU Settlement Scheme, the IA uses the fact that the European Union (Withdrawal) Act 2018, which received Royal Assent on 26 June 2018, maintains current arrangements, for the time being, as part of UK law after the UK's withdrawal from the EU and does not include the draft Withdrawal Agreement.

0.1 Status quo – current arrangements: Currently there is free movement of European Economic Area (EEA) citizens and their family members to the UK, and EEA citizens are able to apply for permanent residence documents or registration certificates on a voluntary basis. Given the Government is clear that its policy is to leave the European Union and end free movement of people in doing so, for this reason this option is not considered a viable option.

0.2 Do nothing: Under do nothing, the Government would not introduce a scheme to allow resident EU citizens and their family members to apply for UK immigration status. The IA assumes that under do nothing current arrangements would remain in place and as such the do nothing option is equivalent to option 0.1. While not included in the assumptions for the do nothing option, to provide EU citizens with no means of remaining lawfully in the UK beyond the implementation period would not be compatible with the draft Withdrawal Agreement. For this reason this option is not considered a viable option.

Option 1 (preferred option) – The Government's preferred option is to implement the planned EU Settlement Scheme which will enable resident EU citizens and their family members to apply for UK immigration status in a straightforward and user-friendly way.

Will the policy be reviewed? The policy will be kept under ongoing review. If applicable, set review date: N/A

Does implementation go beyond minimum EU requirements?		N/A		
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
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: Caroline Nokes Date: 6th March 2019

Summary: Analysis & Evidence

Policy Option 1

Description: Introduce EU settlement scheme (updated analysis)

FULL ECONOMIC ASSESSMENT

Price Base Year 2018/19	PV Base Year 2018/19	Time Period 7 Years	Net Benefit (Present Value (PV)) (£m)		
			Low applications scenario: -£65.2 million	High applications scenario: -£501.1 million	Best Estimate:

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

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

The EU Settlement Scheme is expected to generate between £360 million and £420 million in (undiscounted) resource costs between 2018/19 and 2021/22 and £50 million in (undiscounted) capital costs to the Home Office between 2018/19 and 2020/21. The scheme is expected to generate indicatively between £90 million and £140 million (undiscounted) resource costs to process follow-up applications for settled status between 2020/21 and 2025/26 (from those initially granted pre-settled status). The total cost of the scheme will primarily be driven by the volume of applications.

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

The application process is designed to be straightforward and user-friendly and will be free of charge for all applicants.

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

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

The primary benefits of the EU Settlement Scheme are not monetised, but the ability to give certainty and clarity to EU citizens and their family members living in the UK are in line with the draft Withdrawal Agreement. Given the Prime Minister's announcement on 21 January 2019 that applicants will not be charged a fee, the EU Settlement Scheme is not expected to generate any revenue.

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

The EU Settlement Scheme will provide certainty to resident EU citizens and their family members and to their employers and others.

Key assumptions/sensitivities/risks/uncertainties

Discount rate (%) 3.5%

The estimated costs are heavily dependent on the estimated volume of applications, which is highly uncertain. The timing of applications is also uncertain; analysis on the flow of applications from the opening of the scheme should be considered indicative. The IA does not quantify the wider costs and benefits of migration.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: N/A	Benefits: N/A	Net: N/A	
			N/A

Evidence Base

A. Problem under consideration

The UK is implementing the residence aspects of the draft Withdrawal Agreement through the EU Settlement Scheme which enables resident EU citizens and their family members to apply for the UK immigration status which they will require to remain here beyond the implementation period. The scheme will also be available to those resident in the UK by 29 March 2019 in the event that the UK withdraws from the EU without an agreement.

The EU Settlement Scheme (contained in Appendix EU to the Immigration Rules) was implemented on 28 August 2018, for the purposes of an initial private beta test phase. A second, expanded private beta test phase began from 1 November 2018 and ended on 21 December 2018. In light of the successful testing of the online application process during the private beta test phases, a public beta test phase of the scheme began on 21 January 2019. This phase is open to resident EU citizens (and their EU citizen family members) with a valid passport, and to their non-EU citizen family members with a valid biometric residence card.

Currently, the Government anticipates that the further phased implementation of the scheme will be secured through Immigration Rules changes to be laid before Parliament in early March 2019, so that the scheme will be fully open by 30 March 2019. From that date, the scheme will also be open to citizens of the other EEA countries (Iceland, Liechtenstein and Norway) and of Switzerland and their family members, consistent with the citizens' rights agreements which the UK has negotiated with those countries.

There will be no fee for applications under the scheme. Those who have paid a fee during the test phases will be reimbursed.

B. Rationale for intervention

The Government intends to implement the residence aspects of the draft Withdrawal Agreement with the EU through the EU Settlement Scheme. This will enable resident EU citizens and their family members to apply for the UK immigration status which they will require to remain here beyond the proposed implementation period. The scheme will also be available to those EU citizens resident here by 29 March 2019, and their family members, in the event that the UK withdraws from the EU without an agreement.

Secondary legislation is required to implement the scheme in full by 30 March 2019.

Secondary legislation is also required to provide scope for applications to be made under the scheme from outside the UK, for example by EU citizens currently working or studying overseas but who have maintained their continuity of residence in the UK for the purposes of eligibility under the scheme. This scope will also be subject to relevant changes being made to Appendix EU to the Immigration Rules and to the relevant practical arrangements being put in place.

C. Policy objective

The policy objective is to enable resident EU citizens and their family members to apply for UK immigration status through a straightforward, user-friendly process, in line with the draft Withdrawal Agreement or in the event that the UK withdraws from the EU without an agreement.

D. Description of options considered (including status-quo)

Baselines

For the purposes of providing a baseline for assessing the impact of the EU Settlement Scheme, this IA uses the same assumptions used in the EU Settlement Scheme IA published in July 2018. Baseline assumptions were based on the fact that the European Union (Withdrawal) Act 2018, which received Royal Assent on 26 June 2018, maintains current arrangements, for the time being, as part of UK law after the UK's withdrawal from the EU and does not include the draft Withdrawal Agreement.

0.1 Status quo – current arrangements: Under current arrangements there is free movement of European Economic Area (EEA) citizens and their family members to the UK, and EEA citizens and their family members are able to apply for permanent residence documents and registration certificates on a voluntary basis. Further details on the current arrangements are presented in the section on Baseline analysis. Given that the Government is clear that its policy is to leave the European Union and end free movement of people in doing so, for this reason this option is not considered a viable option.

0.2 Do nothing: Under do nothing, the Government would not introduce a scheme to allow resident EU citizens and their family members to apply for UK immigration status. The IA assumes that under do nothing current arrangements would remain in place and as such the do nothing option is equivalent to the current arrangements. While not included in the assumptions for the do nothing option, to provide EU citizens with no means of remaining lawfully in the UK beyond the implementation period would not be compatible with the draft Withdrawal Agreement. For this reason, this option is not considered a viable option

Preferred option: **The Government's preferred option** is to implement the planned EU Settlement Scheme which will enable eligible EU citizens and their family members to apply for UK immigration status in a straightforward and user-friendly way. Under the preferred option there will be benefits to EU citizens who currently live in the UK and those who move to the UK up to the end of the planned implementation period compared to the do nothing as they will be able to apply under the scheme for that status needed to remain lawfully in the UK after the end of that period.

E. Monetised and non-monetised costs and benefits of each option (including administrative burden)

An impact assessment for the EU Settlement Scheme was published in July 2018¹ to support the Statutory Instruments that enabled the launch of the private beta testing phases of the scheme.

The analysis set out in the following sections broadly follows the same approach. Where the assumptions and methodology used are the same as those used in the previous IA, that IA is referred to, where appropriate, to avoid replication of analysis. Where assumptions or methodology have been updated or revised, they are set out in this IA.

Baseline analysis (status quo/do nothing)

The analysis of impacts for the do nothing option remains the same as the baseline analysis presented in the EU Settlement Scheme IA published in July 2018.

Under the baseline, it is expected that the Home Office would incur a net cost per year of between £11.6 million and £79.1 million (undiscounted, 2018/19 prices). Over a seven-year period, in present value terms, baseline results show a negative Net Present Value between £71.8 million and £372.6 million (2018/19 prices).

¹ HO0316 <http://www.legislation.gov.uk/ukxi/2018/875/impacts>

The full details of the assumptions underlying these results are set out in the EU Settlement Scheme IA published in July 2018.

EU Settlement Scheme analysis

The analysis presented in the following sections models the impact of the EU Settlement Scheme on the basis that the UK withdraws from the European Union under the terms of the draft Withdrawal Agreement. As such the analysis assumes that the EU Settlement Scheme will be open to EU (and to other EEA and Swiss) citizens who move to the UK up to the end of the planned implementation period on 31 December 2020. In the event of a withdrawal from the EU without a deal, the analysis will be updated in a separate IA to reflect the impacts and to cover other related policy changes.

E.1 Expected Volumes

As set out in the EU Settlement Scheme IA published in July 2018, there is a high level of uncertainty around the volume of EU citizens and family members who will apply under the EU Settlement Scheme and how quickly they will do so.

The number of individuals eligible for the scheme will be the EU citizen population and family members resident by 31 December 2020 (the end of the planned implementation period under the draft Withdrawal Agreement), which will depend on the inflow of new arrivals as well as the outflow of those who may leave the UK, plus eligible family members resident outside the UK at 31 December 2020 who, under the draft Withdrawal Agreement, will have the right to join an EU citizen resident in the UK after 2020.² Applicants will be able to apply to the scheme in the UK and, subject to the legal basis being established as discussed above, from overseas, where they meet the eligibility criteria.³ The scheme will be open also to citizens of the other EEA countries (Iceland, Liechtenstein and Norway) and of Switzerland and their family members, consistent with the citizens' rights agreements which the UK has negotiated with those countries.

Home Office internal analysis estimates that the total number of EEA citizens and their family members eligible to apply for the EU Settlement Scheme by the end of the planned implementation period on 31 December 2020 is likely to be between 3.5 million and 4.1 million. This estimate is based on a number of assumptions as to how the size of the eligible EEA population will change over the period; further details on risks and assumptions used are provided in Section G. The range should be considered indicative as future migration flows can be affected by many factors and are difficult to predict.⁴

The range is based on the initial estimate that 3.4 million EEA citizens were resident in the UK between October 2017 and September 2018.⁵ This figure is then adjusted to produce a range of the eligible EEA population by year ending December 2020. The range has been revised since the publication of the EU Settlement Scheme IA in July 2018 to include estimates of applicants who may apply from overseas and of eligible non-EEA citizen family members. The revised range also includes updates to the assumptions used in the previous estimate to reflect more recent data. These adjustments have resulted in a small change to the range of expected applications. Annex 1 provides a summary of how the revised range was developed.

The estimated range is based on assumptions that are inherently uncertain and therefore the results should be considered indicative. The range gives an estimate of high and low volumes to capture risks and sensitivities in the assumptions used. **These should not, however, be considered as minimum and maximum estimates.**

² Close family members eligible to join EU citizens after 2020 under the draft Withdrawal Agreement are those where the family relationship existed by 31 December 2020 and continues to do so when they apply to come to the UK.

³ EU, EEA and Swiss citizens and their family members who have resided in the UK for a period of five years or more will be eligible to apply for settled status under the scheme, including where they have then been absent from the UK for a period of up to five years. Those who have been resident in the UK for less than five years, and have been absent during that period for less than six months in any 12 month period or for up to 12 months for a good reason, will be eligible to apply for pre-settled status under the scheme. Further details available at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718237/EU_Settlement_Scheme_SOI_June_2018.pdf

⁴ <https://www.gov.uk/government/publications/evaluation-of-existing-migration-forecasting-methods-and-models>

⁵ Home Office internal analysis of ONS Annual Population Survey (APS) data for year October 2017 to September 2018.

E.2 Fees

The Prime Minister announced on 21 January 2019, there will be no fee for applications under the EU Settlement Scheme.⁶ This will ensure that there is no financial barrier for any EU citizen who wishes to remain in the UK. Those who have paid an application fee during the test phases (£65 for those aged 16+ and £32.50 for those aged under 16, unless an exception or waiver applied) will be reimbursed.

As per the original design, applicants will either obtain 'settled status', generally if they have lived in the UK for a continuous period of five years, or 'pre-settled status' if they have lived in the UK for a continuous period of less than five years. Those applicants who receive pre-settled status will be able to apply for settled status when they reach five years of continuous residence. These applications will be free of charge and are referred to as 'follow-up' applications in this IA.

E.3 Expected revenue

As the fees have been waived for all applicants, the scheme will not generate any revenue to the Home Office.

E.4 Expected costs

As set out in the EU Settlement Scheme IA published in July, the Government has met start up resource costs to design and implement the EU Settlement Scheme, and will need to meet ongoing resource costs to manage the operation of the scheme.

The analysis set out in this IA uses the same unit cost estimate as presented in the EU Settlement Scheme IA published in July 2018. The unit cost for processing the application made by a first-time applicant was estimated at around £103.⁷ This estimate is based on Home Office analysis and will be kept under review.

Similarly, the analysis assumes that the cost of processing a follow-up application for settled status by a person previously granted pre-settled status will be the same as processing a first application. This assumption is uncertain and will be kept under review, as for example development of IT systems may allow the cost of processing follow-up applications to be lower than the initial application.

The expected total costs and revenue of the scheme are shown in Table 1 and Table 2. The estimates assume the volume of applications under the EU Settlement Scheme will be between 3.5 million and 4.1 million for first applications, and between 0.9 million and 1.4 million for follow-up applications.⁸

The EU Settlement Scheme is expected to have a nominal gross cost (undiscounted) of between £360 million and £420 million from the opening of the scheme to cover resource costs to process first applications. These costs are expected to be incurred mainly between January 2019 and, in line with the draft Withdrawal Agreement, the end of the grace period in June 2021 (by which those resident in the UK by the end of 2020 will need to apply).

The EU Settlement Scheme is also expected to generate capital costs. These have been estimated to be around £50 million in total over the period 2018/19 to 2020/21. Capital costs mainly include IT costs and have been apportioned equally over these three financial years in NPV calculations (see next section).

In addition to these costs, the Home Office expects to continue to face ongoing costs to process follow-up applications after the deadline for initial applications. The total nominal gross cost (undiscounted) to process follow-up applications is expected to be between £90 million and £140 million assuming the unit cost of processing a follow-up application is the same as that for a first application. These costs are expected to be incurred between January 2021 and December 2025.

Table 1: Expected gross (undiscounted) cost of the EU Settlement Scheme

⁶ <https://www.gov.uk/settled-status-eu-citizens-families>

⁷ The unit cost is based on an estimate of resource costs required, and does not include capital costs. The estimate covers Home Office related costs only.

⁸ Costs and revenue are rounded to the nearest £10 million.

(2018/19 – 2020/21)*	Volume estimates		Cost estimates	
	Low estimate	High estimate	Low estimate £m	High estimate £m
Resource costs	3,500,000	4,100,000	360.00	420.00
Capital costs	N/A	N/A	50.00	50.00
Total			410.00	470.00

Source: Home Office internal analysis. Costs are rounded to the nearest £10 million. Numbers may not sum due to rounding.

* Resource costs to process first applications are expected to be incurred over the period January 2018 to June 2021.

Table 2: Expected gross (undiscounted) cost of the EU Settlement Scheme for follow-up applications

(2020/21 – 2025/26)	Volume estimates		Cost estimates	
	Low estimate	High estimate	Low estimate £m	High estimate £m
Follow up applications	900,000	1,400,000	90.00	140.00

Source: Home Office internal analysis. Costs are rounded to the nearest £10 million. Numbers may not sum due to rounding.

Refunds

The cost of refunding the fee to applicants who applied to the scheme and paid a fee during the testing phases run from August 2018 to March 2019 is included in the estimated total cost presented in the previous sections. This is because no adjustment was made to total volume estimates to exclude those applicants who have applied during the testing phases.

The Home Office may face some additional cost of refunds, for example towards the private provider responsible for processing the payments. These additional costs represent a transfer between the Home Office and the private provider. They are expected to be small and have not been quantified in this impact assessment.

Administrative Reviews

Applicants who have their application refused on eligibility grounds, or who are granted pre-settled status rather than settled status, can apply for an administrative review charged at a fee of £80. Where the administrative review is successful on the basis of the information and evidence available to the original decision-maker, the fee will be refunded to the applicant.

The incentive to apply for an administrative review that requires payment of a fee is low given that an applicant will be able to make another new application under the scheme free of charge. Evidence based on the Private Beta Testing Phase 1 and Phase 2 suggest that refusal rates for applications to the EU Settlement Scheme are likely to be very low⁹. Given the limited evidence available and uncertainty about future applications, estimates of applications for administrative reviews are not available, but they are expected to be very small compared to the total number of expected applications.

Given the small number of administrative reviews expected, and that where these are not successful the fee is retained by the Home Office, these cases are expected to generate very small additional costs to the Home Office, compared to the total expected cost of the scheme and they have not been quantified in this IA.

E.5 Net impact

Table 3 below presents the discounted cost estimates in present value terms (discounted, 2018/19 prices) of the scheme over the appraisal period.

The analysis assumes that first applications are spread evenly between January 2019, when the scheme is assumed to open for the purposes of this IA, and, in line with the draft Withdrawal Agreement, the end of the grace period in June 2021. The analysis assumes that follow-up applications are spread evenly

⁹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752872/181031_PB1_Report_Final.pdf and https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772139/EU_Settlement_Scheme_Private_Beta_2_Report.pdf

between January 2021, when the planned implementation period will have ended, and December 2025, when all those who have arrived by December 2020 will have been able to have accrued five years' continuous residence in the UK.

The preferred option is expected to have a negative NPV of between -£572.9 million and -£437.8 million. When compared against the baseline NPV, the range changes to £-501.1 million to -£65.2 million (negative against the baseline). The range is obtained by subtracting the higher baseline NPV estimate from the lower NPV estimate for the EU Settlement Scheme option and vice versa, as this produces the widest possible range.

Table 3: EU Settlement Scheme Net Present Value

2018/19 prices; Discounted	Lower estimate	Higher estimate
Total Costs	437.8	572.9
<i>Cost 1st application</i>	310.1	401.4
<i>Cost 2nd application</i>	78.9	122.7
<i>Capital costs</i>	48.8	48.8
Preferred option NPV	-437.8	-572.9
Baseline NPV	-372.6	-71.8
NPV against baseline	-65.2	-501.1

Source: Home Office internal analysis, 2018/19 prices.

F. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

As per the EU Settlement Scheme IA published in July 2018, given the uncertainty surrounding the number of EEA citizens and their family members who will be eligible to apply for the EU Settlement Scheme once it opens fully by 30 March 2019 and uncertainty around future applicants' behaviour, the analysis should be considered indicative only.

The assumptions on total volumes of applications for the scheme are based on internal Home Office estimates of expected workload produced for planning purposes; they should not be considered as forecasts of future migration flows.

G. Risks and assumptions

G.1 Volumes risk

As per the EU Settlement Scheme IA published in July 2018, the volume estimates are highly uncertain and therefore results presented in this IA should be considered indicative. The following risks around the volume estimates should be taken into consideration, some of these risks are the same as the risks identified in the previous IA some have been updated to reflect changes in the volume estimates.

- Eligible population estimates (3.5 million – 4.1 million):
 - The initial estimate of 3.4 million EEA citizens resident in the UK has been adjusted to estimate how the resident population will change in the future; this requires making assumptions about future migration flows. Estimates presented are highly uncertain, and this uncertainty could affect estimates of volumes in both directions. This is not a forecast by the Government of expected immigration flows but simply an indicative estimate to help provide a range for the costs and benefits associated with the EU Settlement Scheme;
 - The estimates of costs assume that all applicants who are eligible to apply for the scheme make their application (or first application for those who are initially granted pre-settled status) by the end of June 2021. The analysis therefore assumes 100% compliance rate, which is an uncertain assumption but reflects the need for that capacity to be available if required.

- The analysis only includes volumes of EEA citizens and their family members who may move to the UK with an intention to stay long term (more than 12 months). Additionally, those who intend to stay short term (less than 12 months) and arrive close to the end of the planned implementation period on 31 December 2020 will have to apply under the scheme, for the status to remain here beyond 30 June 2021. This uncertainty could affect volumes and estimates presented may be an under-estimate.
- The underlying data used in the analysis is based on self-reported nationality, and some EEA citizens may already hold a second nationality or be entitled to British citizenship as a result of birth and family circumstances that are not reflected in the data. Those who have obtained British citizenship will not be covered by the scheme (except, in respect of their family members, where they are dual nationals within the meaning of the Court of Justice of the European Union judgment in Lounes) and therefore are out of scope for this analysis. As an indication of potential impacts, since 2004, when records started, a total number of around 470,000 permanent residence documents have been issued to EEA citizens and their family members.¹⁰ As a permanent residence document is a requirement in an application for naturalisation on the basis of exercise of Treaty rights in the UK, some of these applicants will have subsequently applied and obtained British citizenship, or will apply for British citizenship in the future. In addition, since 1990, when records started, a total of around 240,000 EEA citizens have acquired British citizenship.¹¹ Due to uncertainty with the underlying data, which is based on self-reported nationality as described above, no adjustment has been made to the total volume estimate to reflect that some EEA citizens may have acquired British citizenship, so the estimates presented may be overestimates.
- It is uncertain how many non-EEA family members of EEA citizens are currently resident in the UK and how many will move to the UK during the planned implementation period or thereafter, in line with the draft Withdrawal Agreement. This group will also be eligible to apply under the scheme. While the EU Settlement Scheme IA published in July 2018 did not include an estimate for this group, an estimate has been produced and included in the analysis presented in this IA. The figure is based on internal Home Office analysis and is highly uncertain, and it should therefore be considered indicative.
- The analysis includes an estimate of applications that may be made by EU citizens from overseas, subject to provision being made for that. This range is based on estimates of those who have left the UK and meet the eligibility criteria. However, it is possible that some of these individuals have already returned to the UK or will return by 31 December 2020 (the end of the planned implementation period in line with the draft Withdrawal Agreement), and therefore may be counted within the estimates of the resident population or of inflows between April 2019 and December 2020. It may also be that some of these individuals will not apply to the EU Settlement Scheme because they do not intend to move back to the UK or because they are not aware of their eligibility to apply. This would likely bias the estimates presented in the high scenario as an overestimate.
- Follow up application estimates (0.9 million - 1.4 million):
 - The estimates are based on the year of arrival, not on the exact date of arrival, and therefore volume estimates of those residents for more and less than five years are not fully accurate.
 - Assumptions on emigration rates are indicative and this uncertainty could affect estimates in both directions.
 - The analysis assumes that all those who intend to stay for more than one year will stay for five years, until they are eligible to apply for settled status. This would likely bias estimates presented to be overestimates.

¹⁰ Home Office Migration Statistics, European Economic Area tables <https://www.gov.uk/government/publications/immigration-statistics-year-ending-september-2018/how-many-people-continue-their-stay-in-the-uk>

¹¹ Home Office Citizenship tables <https://www.gov.uk/government/publications/immigration-statistics-year-ending-september-2018/how-many-people-continue-their-stay-in-the-uk>

- As all follow-up applications will also be free of charge, and there is no limit to the number of applications that an individual can make under the scheme, it is possible that the same individual could make multiple applications until they eventually qualify for settled status. The analysis assumes that individuals who will need to make a follow-up application to obtain settled status will only make one such application. This would likely bias estimates presented to be underestimates.
- Time period:
 - For simplicity the IA assumes that the scheme will be open to all applicants from January 2019 (rather than 30 March 2019), and appraises costs and benefits in financial years over the period 2018/19 - 2025/26. This period has been chosen because the vast majority of applications are expected to be processed over this period, including both initial and follow-up applications. Some applications will continue to be received after the end of 2025, including from eligible family members of EEA citizens who move to the UK.
 - Under the draft Withdrawal Agreement, there will be a grace period to 30 June 2021 for EU citizens and their family members resident by 31 December 2020 to apply for status under the scheme. The analysis takes this into account when modelling costs of first applications.
 - Results are shown in financial years with costs for 2018/19 accounted for only one quarter of the financial year (to reflect the assumed opening of the scheme in January 2019), and costs for 2025/26 accounted for three quarters of the financial year (to reflect an appraisal period that ends in December 2025). This approach was chosen for consistency with internal financial reporting. However, as the analysis is indicative and results are presented in ranges to capture sensitivities, they may not match estimates reported elsewhere before the opening of the scheme or financial reports produced after the scheme opens.
 - As mentioned in the analysis sections, the IA models the impact of the EU Settlement Scheme on the basis that the UK withdraws from the European Union under the terms of the draft Withdrawal Agreement. As such the analysis assumes that the EU Settlement Scheme will be open to EU (and to other EEA and Swiss) citizens who move to the UK up to the end of the planned implementation period on 31 December 2020. In the event of a withdrawal from the EU without a deal, the analysis will be updated in a separate IA to reflect the impacts and to cover other related policy changes.
- Data sources: the data used in for the analysis partly draws on sample survey data which is subject to sampling and weighting processes seeking to reflect the resident population, and the sampling time frame may undercount groups such as recent arrivals to the UK, such as those staying in hotels or hostels, or students in halls of residence. Uncertainty in weighting could affect estimates in both directions, but uncertainty in sampling may likely bias estimates to be underestimates.
- Behavioural response:
 - The assumptions of the number of EEA citizens and family members who will be eligible to apply for the scheme are based on historical migration trends in inflows and outflows. It is possible that the opportunity to obtain UK immigration status under the EU Settlement Scheme together with uncertainty about what migration system will be in place after 2020, may attract more EEA citizens to move to the UK before the end of the planned implementation period. However, other factors, for example uncertainty about future economic opportunities in the UK and across the EEA, may have a different impact. Given the high level of uncertainty around behavioural response, the analysis does not include estimates of these potential impacts.
 - Providing for no fee for applications under the scheme may increase the incentive for spurious or speculative applications by applicants who are not eligible. This would result in a higher volume of applications to process, but no evidence is available to estimate the likelihood and magnitude of this impact and therefore the analysis does not include estimates of this potential impact.

G.2 Operational risk

The Home Office has a significant IT, casework and communications programme in place to deliver the EU Settlement Scheme. The Home Office already issues around seven million passports and three million visas each year and so processing applications on the scale required is feasible, but the department is working to ensure that it gets the scheme design and communications right.

As is now standard for the launch of new services in government, two private beta phases were launched, the first one from 28 August to 17 October 2018 and the second one from 1 November to 21 December 2018, which enabled the Home Office to test the system and processes at scale and ensure that they work effectively. A public beta test phase began on 21 January 2019. The scheme will be fully open by 30 March 2019.

H. Direct costs and benefits to business calculations (following BIT methodology)

No direct costs or benefits to businesses are expected to be generated by the preferred option.

I. Wider impacts

Wider impacts are expected to remain largely in line with those identified in the EU Settlement Scheme IA published in July 2018.

The EU Settlement Scheme will enable the UK Government to implement the residence aspects of the citizens' rights part of the draft Withdrawal Agreement with the EU, and the equivalent agreements with the other EEA countries and Switzerland, by providing a clear, straightforward basis on which resident EEA citizens and their family members can apply for the UK immigration status which they will require to remain here beyond the planned implementation period. This will provide certainty for them and their employers as to their ability to continue living and working in the UK.

This certainty will enable and encourage EEA citizens to continue to play a significant role in the UK economy. Data on employment shows that EU citizens of working age (16-64 years old) had an employment rate of 83.3 per cent between October and December 2018.¹² In addition, the scheme will provide the basis for continuity for businesses employing EEA citizens. ONS data for 2016 show that EU citizens accounted for between 4 per cent and 11 per cent of the total workforce varying by industry sector of the UK economy.¹³

HMRC data on fiscal contributions shows that in 2014/15 EEA citizens contributed £9.3 billion in income tax and £7 billion in National Insurance contributions.¹⁴ It should also be noted that this analysis only considers receipts from earnings, and does not include wider costs and benefits of the migrant population, such as spending on health, education or welfare and contributions to council tax and indirect tax, such as VAT.

Removing the fee for all applicants removes any potential financial barrier and therefore the fee no longer represents a potential deterrent to EEA citizens to apply to the EU Settlement Scheme. Some EEA citizens may be deterred from applying because of the requirement to go through an application process, which they have not been required to do under free movement. The application process is designed to be streamlined and user-friendly. Therefore, any behavioural impact is expected to be small.

J. A brief qualitative summary of the potential trade implications of measure

¹² ONS "UK and non-UK people in the labour market: February 2018", Point 5. Commentary for UK and non-UK nationals. <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/ukandnonukpeopleinthelabourmarket/february2019>

¹³ ONS "International immigration and the labour market, UK: 2016", April 2017. Figure 3 [//www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrationandthelabourmarketuk/2016](https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/articles/migrationandthelabourmarketuk/2016)

¹⁴ <https://www.gov.uk/government/statistics/income-tax-nics-tax-credits-and-child-benefit-statistics-for-eea-nationals-2014-to-2015>

The measure has no direct implications for trade. As a second order impact, removing any financial barrier for EEA citizens to apply for the EU Settlement Scheme may further reduce any barriers that they may face to stay in the UK after EU Exit.

Where EEA citizens are employed in an occupation or sector that contributes to trade between the UK and other countries, obtaining an immigration status that enables them to stay in the UK and continue working in the same occupation or sector would allow them to continue facilitating such trade relationships.

K. Summary and preferred option with description of implementation plan

The preferred option is to introduce the EU Settlement Scheme free of charge for all applicants by 30 March 2019.

ANNEX 1: EEA resident population estimates

Home Office internal analysis estimates that the total number of EEA citizens eligible to apply for the EU Settlement Scheme by the end of the planned implementation period on 31 December 2020 is likely to be between 3.5 million and 4.1 million.

The range is based on the initial estimate that 3.4 million EEA citizens were resident in the UK during the year October 2017 – September 2018.¹⁵ A number of adjustments have been made in order to obtain the 3.5 million – 4.1 million range:

- Firstly, an adjustment was made to estimate the change in resident EEA population by the end of March 2019, when the scheme is expected to be fully open. Based on historical changes in the EEA resident population over the period October 2012 to September 2018, it is estimated that the EEA resident population may change between October 2018 and March 2019 by a range of -30,000 to +110,000 individuals, where the low estimate is based on the change in population in the last year and the high estimate is based on the change in population over the last five years.
- Secondly, the new inflow of EEA citizens who may move to the UK between April 2019 and December 2020 was estimated, as, under the draft Withdrawal Agreement, they will also be eligible to apply under the scheme. It is estimated that between 310,000 and 400,000 EEA citizens may move to the UK over this 21-month period with an intention to stay in the UK for more than 12 months.¹⁶ (See caveats in volumes risks above). This is not a forecast by the Government of expected immigration flows but simply an indicative estimate to help provide a range for the costs and benefits associated with the EU Settlement Scheme.
- Thirdly, the outflow of EEA citizens who may leave the UK between April 2019 and December 2020 was estimated, as they would not be expected to apply under the scheme. It is estimated that between 210,000 and 300,000 EEA citizens may leave the UK over the 21 month-period.¹⁷
- An estimate for non-EEA family members has been produced for this IA, as this group will also be eligible to apply for the scheme. The estimate of non-EEA family members is based on analysis of the EEA population for the period January to December 2017 and estimates of the number of Euro documents issued to non-EEA nationals between April 2009 and March 2018. The range is estimated to be between 170,000 and 230,000 individuals.
- An estimate has also been produced for this IA to account for EU citizens who may be eligible to apply for the scheme from overseas. This estimate is based on outflow data between 2014 and 2018 adjusted for the duration of stay based on year of previous arrival. The estimate includes EU citizens who had been in the UK for five years or more at the time of leaving between 2014 and 2018¹⁸, and also an adjustment for those who have less than five years of residence and have left in the last six months of 2018.¹⁹ The range is estimated to be between 0 and 220,000 individuals.

Table A1 presents a summary of the assumptions and data sources used and shows how the figures sum to the estimated 3.5 million to 4.1 million EEA resident population by December 2020.

The estimated range is based on a number of assumptions that are inherently uncertain and therefore the results should be considered indicative. The range gives an estimate of high and low volumes to capture risks and sensitivities in the assumptions used. **These should not, however, be considered as minimum and maximum estimates.**

¹⁵ Home Office internal analysis of ONS Annual Population Survey (APS) data for year October 2017 – September 2018.

¹⁶ ONS Long Term International Migration (LTIM) estimates of inflows for year end June 2018.

¹⁷ ONS Long Term International Migration (LTIM) estimates of outflows for year end June 2018.

¹⁸ ONS Estimates of long-term international emigration from the UK of former immigrants, by citizenship, reason for emigration and year of previous arrival in the UK, 2005 to 2016.

¹⁹ ONS Long Term International Migration (LTIM) estimates of outflows for year end June 2018.

Table A1: EEA resident population estimates

	Assumption		Description	Source
	Low estimate	High estimate		
1.	3.4m	3.4m	EEA citizens resident in the UK in 2017-2018. This estimate does not include Irish nationals.	HO analysis of ONS Annual Population Survey (APS) data for year October 2017 – September 2018.
2.	- 30,000	+ 110,000	Estimate of change in EEA resident population between October 2018 and March 2019. High estimate based on average change over the last five years; low estimate based on change over the latest year.	HO analysis of ONS APS data over the year October 2012 – September 2018.
3.	+ 310,000	+ 400,000	Estimated inflow between April 2019 and December 2020, based on assumed inflows of 202,000 ± 26,000 per year.	ONS Long Term International Migration (LTIM) data for year October 2017 - September 2018.
4.	- 300,000	- 210,000	Estimated outflow between April 2019 and December 2020, based on assumed outflows of 145,000 ± 25,000 per year.	ONS Long Term International Migration (LTIM) data for year October 2017 - September 2018.
5.	+ 170,000	+ 230,000	Estimated non-EEA family members eligible to apply based on non-EEA family members and dependants resident in UK in 2017 and estimated inflow and outflow between January 2018 and December 2020.	HO Internal analysis of ONS APS data for the year January to December 2017 and HO internal analysis of the number of Euro documents issued to non-EEA nationals between April 2009 and March 2018.
6.	0	+ 220,000	Estimated overseas applications by EU nationals.	HO internal analysis of ONS LTIM data over the period January 2014 to June 2018 and HO internal analysis of ONS estimates of long-term international emigration from the UK of former immigrants.
	~3,500,000	~4,100,000		

Source: Home Office internal analysis, 2019. Note totals may not sum due to rounding.

ANNEX 2: Follow-up application estimates

Home Office internal analysis estimates that, of the estimated 3.5 million – 4.1 million total eligible applicants for the EU Settlement Scheme, between 0.9 million and 1.4 million applicants may make a follow-up application in order to obtain settled status (indefinite leave to remain, ILR) under the scheme, having initially been granted pre-settled status (five years' limited leave to remain) under the scheme, because they had not then been continuously resident in the UK for long enough (generally five years) to qualify for settled status. This range is based on the following assumptions:

- The range of 3.5 million to 4.1 million is initially adjusted to remove applications expected to be made overseas by applicants with five years of residence in the UK who are expected to obtain settled status.
- Home Office internal analysis estimates that 2.4 million resident EEA citizens arrived before 2013 and are likely to be able to apply directly for ILR under the scheme when the scheme opens. This estimate is adjusted to take account of emigration rates, such that 2.2 million are expected to have arrived before 2013 and still be in the UK by the time the scheme opens.
- This leaves 1.3 million – 1.7 million EEA citizens who could potentially need to make a follow-up application (that is, they would be granted limited leave to remain first and subsequently apply for ILR under the scheme).
- This, however, gives an over-estimate of follow-up application numbers since around 600,000 people are expected to accrue five years' residence between January 2019 and December 2020. These applicants could wait until they have reached five years' residence before applying, and so only make a single application for ILR, rather than make two applications.
- Considering a range of scenarios around people's willingness to wait, Home Office internal analysis estimates that 300,000 to 500,000 of these applicants will only make a single application.

Table A2: EEA second application estimates

	Assumption Low estimate	Assumption High estimate	Description	Source
1.	3.5m	4.1m	EEA citizens resident in the UK by December 2020.	HO internal analysis (see Annex 1)
2.	0	- 200,000	Estimate of applications made overseas by applicants with more than five years of residence in the UK.	HO internal analysis (see Annex 1)
3.	- 2.2m	- 2.2m	Estimated volume of resident population with five years of continuous residence by January 2019 and hence eligible for indefinite leave to remain.	HO analysis of ONS APS data and ONS LTIM data.
4.	- 500,000	- 300,000	Estimated volume of resident population who will achieve five years of continuous residence between January 2019 and December 2020 and will wait to make a single application rather than two.	HO scenario analysis using ONS APS and LTIM data.
	~900,000	~1,400,000		

Source: Home Office internal analysis, 2019. Note totals may not sum due to rounding.