

Economic Note	Number: HO EN 0039
Title of regulatory proposal	Ukraine Family Scheme closure and changes to the Home for Ukraine Scheme
Lead Department/Agency	Home Office
Expected date of implementation	19 February 2024
Origin	Domestic
Date	05 February 2024
Lead Departmental Contact	Name: ukraineresponsestrategicpolicyteam mailboxmbg@homeoffice.gov.uk
Departmental Assessment	RED

Rationale for intervention, objectives and intended effects

The Home Office has continued to monitor the UK's humanitarian Ukraine schemes since their introduction. Based on this, the package of measures assessed in this appraisal aims to tackle emerging risks and issues associated with the schemes and minimise the impact of the crisis, due to the ongoing Russia-Ukraine conflict, on the wider immigration system.

Policy options (including alternatives to regulation)

Option 1: 'Do nothing'. This option does not address the policy issues identified, which have been detailed in Section 2, and does not fulfil the government's objectives.

Option 2: Amend secondary legislation, Appendix Ukraine to the Immigration Rules, to enact closure of the Ukraine Family Scheme, and amend the Homes for Ukraine Scheme by a) requiring sponsors to be British, Irish or 'settled' (hold Indefinite Leave to Remain) in the UK and b) reducing the period of permission granted for new applicants from 36 months to 18 months.

Option 2 is the preferred option as it achieves the government's objectives.

Costs and benefit summary

Implementation of the package is anticipated to primarily affect the public sector, with no direct or notable indirect impacts to the business sector. Impacts are estimated to be relatively modest, with a **central Net Present Value estimate of £3 million over a three-year appraisal period**, from February 2024 to February 2027. The total quantified cost of the package is estimated to be -£14 million, with the largest contributor to costs being a potential £8 million loss in fiscal revenue. The total monetised benefit of the package is estimated to be £17 million, with the most substantial component being the potential £16 million relief to fiscal pressure.

Risks

Policy change impacts are conditional upon several factors that are analytically uncontrollable and inherently uncertain such as the trajectory of the war, situation in Ukraine, international policy response and the behaviour of displaced refugees. Underlying modelling assumptions are subject to a significant degree of uncertainty and 'actual' impacts may deviate significantly in either direction. Estimates should be treated as illustrative and be interpreted with caution.

Total Cost £m PV	Transition Cost £m	Cost to Business £m	Total Benefit £m PV
-14	0	0	17
NPSV (£m)	BNPV (£m)	EANDCB (£m)	BIT Score (£m)
3	0	0	0
Price Base Year	PV Base Year	Appraisal period	Transition period
2023/24	2023/24	3 Years	N/A

Departmental sign-off (SCS): Rebecca Hogg SRO Date: 31/01/2024

Chief Economist sign-off: Tim Laken G6 or SCS Date: 03/02/2024

Better Regulation Unit sign-off: Emma Kirk BRU Head Date: 03/02/2024

Evidence Base

1. Background

1. Shortly after the invasion of Ukraine in early 2022, the UK Government established three bespoke schemes to provide displaced Ukrainian nationals, and their families, with three years of temporary sanctuary in the UK. Specifically, the UK introduced:
 - **The Ukraine Family Scheme (UFS)** – where a family member (immediate or extended) who is settled in the UK can sponsor Ukrainians fleeing the conflict¹.
 - **Homes for Ukraine Scheme (HFU)** – where any household in the UK can sponsor Ukrainians fleeing the war if they can demonstrate their commitment and ability to provide suitable accommodation for a minimum period of six months².
 - **The Ukraine Extension Scheme (UES)** – where Ukrainians already in the UK can convert their existing leave to secure sanctuary within the country³.
2. All three immigration schemes were made free to apply to. Furthermore, there are no restrictions imposed on to the right to work, rent or access to public funds and services.
3. The UK Government remains committed to its foreign policy objective of providing sanctuary and support to Ukrainians who have been displaced as a result of the ongoing Russia-Ukraine conflict. The full-scale continuation of hostilities in the region demonstrates the pertinence and sustained need for the UK's humanitarian protection schemes to support those fleeing Ukraine.
4. Since the introduction of the Ukraine humanitarian schemes, the Home Office has continued to monitor and review the schemes to ensure they remain fit for purpose. Based on this, amendments have been laid for implementation on 19 February 2024 to tackle the emerging risks and issues associated with the schemes and minimise the impact of the crisis on the wider immigration system. These amendments, detailed in Sections 2 to 4, include:
 - Closure of the UFS to new applications.
 - A tightening of the sponsor eligibility criteria under the HFU scheme. Prior to 19 February 2024, sponsors were required to hold a minimum of six months permission to remain in the UK at the point of their sponsees application. Following the amendments, in order to satisfy eligibility criteria, sponsors are required to be British, Irish or 'settled' (hold Indefinite Leave to Remain) in the UK.
 - A reduction in the period of permission granted to new applicants under the HFU scheme from 36 months to 18 months.
5. In order to provide Ukrainians with greater certainty regarding their future in the UK, these changes have been strategically timed to coincide with the Home Office's announcement of an intention to create a new Ukraine Permission Extension (UPE) scheme. The UPE will allow those who are in the UK on a Ukraine humanitarian scheme to extend their stay by an additional 18-months. The UPE announcement is anticipated to influence the behavioural response to the reduction in the period of permission granted under HFU. This is covered in sections below. Note that the UPE will also be subject to a separate impact analysis once the finer policy details have been finalised.

¹ <https://www.gov.uk/guidance/apply-for-a-ukraine-family-scheme-visa>

² <https://www.gov.uk/guidance/apply-for-a-visa-under-the-ukraine-sponsorship-scheme>

³ <https://www.gov.uk/guidance/apply-to-stay-in-the-uk-under-the-ukraine-extension-scheme>

2. The policy issue and rationale for government intervention

Policy 1: Closure of the Ukraine Family Scheme

6. The UFS was created as an immediate response to the crisis to enable Ukrainians with UK resident family members who are 'settled' in the UK (or are British or Irish citizens) to come to the UK outside the established migration routes. Subsequent to this, the HFU scheme, which matches Ukrainians to eligible sponsors, was introduced.
7. In contrast to the UFS, HFU provides a more comprehensive and secure schemes for Ukrainians as it involves accommodation suitability checks and the provision of funding to encourage and support sponsors, which may in turn improve the experience and integration of Ukrainians in the UK.
8. The Home Office no longer deems the UFS to be necessary as a separate scheme as volumes have been decreasing and the same sponsors can be matched to their guests under the HFU scheme, subject only to a process in which accommodation is checked. Based on this, it is more efficient to simplify the immigration system by operating a single humanitarian scheme for Ukrainians.
9. There will be a small cohort of individuals, Third Country Nationals (TCNs), who would have been eligible to apply under the UFS but not the HFU scheme. A TCN would be eligible to apply under the UFS if they are an immediate family member of a Ukrainian who is the immediate family member of an eligible UK based sponsor, regardless of whether the Ukrainian has applied for a UFS visa. By contrast, under the HFU scheme, in addition to being the immediate family member of a Ukrainian who is eligible under the scheme, TCNs are only eligible to make an application if this is either submitted at the same time as their immediate family member's application or after they have already been granted a HFU visa.

Issues policy is intended to address

10. **Accommodation suitability:** The UFS does not require accommodation checks to ensure that sponsors are able to provide their guests with suitable accommodation. By contrast, HFU sponsors must commit to a minimum provision of six months accommodation for their guests, with the accommodation being subject to local authority checks to confirm suitability. Closure of the UFS is intended to mitigate the risk of homelessness resulting from accommodation being unsuitable or unavailable and would ensure 'responsible visa issuance' by requiring appropriate sponsor accommodation upon arrival.
11. **Safeguarding:** The HFU scheme includes added safeguarding measures (such as DBS checks on sponsors) to ensure that Ukrainian arrivals are protected from harm. The change should enhance safeguarding provisions for those arriving in the UK.
12. **Financial considerations:** There has been criticism of the fact that the UFS does not attract the same financial incentives as HFU, such as 'thank you' payments⁴ made to sponsors. Closing the scheme will remove this misalignment.
13. **Declining application volumes:** Given the limited pool of eligible UFS sponsors in the UK, applications have dropped significantly, from approximately 26,800 in the month of March 2022 to approximately 1,000 in the month of September 2023. This is coupled with a falling grant rate of just 29 per cent⁵ over the six months covering April 2023 to September 2023 (compared to 71 per cent for HFU). Even though the application numbers are falling overall, low grant rates and the nature of case-working the wider definition (as compared to the

⁴ Paying sponsors: Homes for Ukraine - GOV.UK: <https://www.gov.uk/guidance/paying-sponsors-homes-for-ukraine>

⁵ Deferred and withdrawn applications are excluded from issue rate calculations as they are not counted as decisions.

standard family migration route) of ‘family’ makes the UFS costly to run in time and money, thus impacting the wider ability to resource across the rest of the immigration system.

14. **Legal challenge:** The Home Office are seeing increased litigation related to the UFS particularly linked to TCNs who were resident in Ukraine at the time of the invasion, but with no Ukrainian family members.

Policy 2: Changes to HFU sponsor criteria

15. Currently, to be an eligible sponsor under HFU, sponsors must have a minimum of six months permission to stay in the UK. This policy change will bring HFU sponsor eligibility requirements closer to Appendix FM⁶ (that is, the standard ‘Family’ route), requiring sponsors of new HFU visas to be either a British or Irish citizen, or settled in the UK (for example, by holding Indefinite Leave to Remain, which includes ‘settled status’ from the EU Settlement Scheme (EUSS)).
16. Requiring sponsors to be British, Irish or ‘settled’ (hold Indefinite Leave to Remain) in the UK, will make all temporary permission holders ineligible to be a sponsor. Those here on Ukraine schemes, who were never intended to be allowed to function as sponsors themselves, will also be excluded from acting as a sponsor under HFU. In addition, individuals holding EUSS pre-settled status, as well as those with Humanitarian Protection or Refugee Leave, will no longer be eligible to act as sponsors for new applications. This is because these groups have limited permission to stay in the UK. While they can still sponsor under broader family routes, it is important to note that HFU is not intended for family reunification purposes. Individuals with an Article 8 right (family life), as per the Human Rights Act 1998⁷, can still utilise the existing family routes outlined in the Rules.

Issues changes to HFU sponsor criteria is intended to address

17. **Inconsistent Approach:** Both UFS and Appendix FM require sponsors to be British citizens or hold settled status (except where there are ongoing legal requirements, for example the EU Withdrawal Agreement). Continuing to operate the HFU scheme with a different policy for sponsor eligibility exposes the Home Office to additional risk of legal challenge.

Policy 3: Shortening the length of permission granted under HFU

18. This policy change will apply to new HFU visa applications from 19 February 2024. The period of permission granted on a HFU visa will reduce from 36 to 18 months to ensure consistency between the length of new visas with the extension period that will be provided under the forthcoming UPE scheme.

Issues shortening the length of permission granted under HFU is intended to address

19. **Consistency with other schemes:** The Home Office does not have information on the plans of the EU Commission or Member States in terms of extending the expiration date of temporary protection for Ukrainians beyond March 2025, as announced in the public domain. However, there is a need for action now to prevent a significant imbalance between the UK’s offer and that of its EU counterparts. Under current UK rules, sanctuary is provided for at least 24 months beyond the end of the EU Temporary Protection Directive (TPD)⁸, which this policy change intends to moderate.
20. **Incentive to leave the UK to submit out of country applications:** Aligning the permission granted with the intended period of permission under the new UPE scheme will reduce perverse incentives to leave the UK and apply for a new HFU visa to obtain a longer period of permission to stay in the UK as compared to what will otherwise be available to those who stay in the UK and apply to the UPE.

⁶ Immigration Rules - Immigration Rules Appendix FM: family members - Guidance (www.gov.uk): <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-fm-family-members>

⁷ <https://www.legislation.gov.uk/ukpga/1998/42/schedule/1/part/I/chapter/7>

⁸ That is, a grant of 36 months permission in January 2024 in the UK will exceed the current EU TPD (which ends in March 2025) by 22 months.

3. Policy objectives and intended effects

21. The objective of the policy measures is to ensure that the Ukraine schemes are responsive to the changing situation in Ukraine and effectively address the emerging risks and issues related to the schemes. Additionally, the changes aim to account for the EU and international sanctuary offers, as they develop, and establish a more efficient and sustainable foundation for the schemes going forward.

4. Policy options considered, including alternatives to regulation

22. Two options have been considered:

- **Option 1: 'Do nothing'**. This option does not address the policy issues identified, which have been detailed in Section 2, and therefore does not fulfil the government's objectives.
- **Option 2:** Amend secondary legislation, Appendix Ukraine to the Immigration Rules, to enact closure of the Ukraine Family Scheme, and amend the Homes for Ukraine scheme as follows:
 - a) Require sponsors to be British, Irish or 'settled' (hold Indefinite Leave to Remain) in the UK
 - b) Reduce period of permission granted for new applicants from 36 months to 18 months.

23. **Option 2 is the government's preferred option** as it would necessarily adapt the UK's offer of sanctuary whilst maintaining the UK's commitment to supporting displaced Ukrainians.

24. There are no non-regulatory options available to achieve the policy aims described in this economic note.

5. Appraisal

General assumptions and data

25. Given the unavoidable and significant degree of uncertainty inherent within the area of conflict-analysis for example, trajectory of the war, situation in Ukraine, international policy response and the behaviour of displaced refugees, the impact of policy changes have been considered over a three-year appraisal period, from February 2024 to February 2027.
26. The analysis presented in this note is based on the underlying assumption that the situation in Ukraine and current humanitarian protection schemes of international counterparts remain 'as is', with no significant escalations or de-escalations across the appraisal period. There has been no modelling or assumptions formed around the trajectory of the conflict, level of safety in Ukraine or amendments (including potential cessations) to existing humanitarian initiatives offered by the international community.
27. It is important to emphasise that estimates are associated with a low degree of confidence and are intended to provide an illustrative sense of potential scale. Outcomes could be significantly higher or lower than what is presented in this appraisal. To reflect uncertainty, estimates are presented in range-form, where the ranges are based on alternative policy impact scenarios rather than variation within baseline arrival estimates.

28. The analysis assumes that shortening the length of leave under the HFU scheme to 18 months (Policy 3) has no influence on individual behaviour or decision-making processes. This is because the simultaneous announcement of an 18-month UPE scheme implies that the 'effective' length of permission remains unchanged relative to the counterfactual 'do nothing' scenario.
29. The policy changes have no direct impact on businesses. Based on the estimated impact of the package on volumes (see Annex A), any potential indirect impacts, such as a reduction in the labour supply, are expected to be negligible and inconsequential. Therefore, the monetised costs and benefits captured within this appraisal are incurred entirely by the public sector.

Costs and Benefits

30. The monetised costs and benefits captured within this assessment are outlined below. However, note that the net benefits of the package may be subject to non-monetised aspects. That is, it is not always reasonably practicable to quantify, and in some cases identify, all potential impacts from policy interventions. For instance, although it is possible for the interventions covered in this appraisal to have second-order impacts on security, trade-relations and the environment, it is not possible for us to quantify the associated magnitude of these impacts.
31. Moreover, the cost of operational IT changes required to implement the package has not been included in this assessment as the changes are not expected to require funding outside of existing budgets.

Monetised (Direct) Costs and Benefits

32. **Visa processing costs:** The cost of processing an average Ukraine scheme entry clearance application is assumed to be £170.
33. **Arrival payments:** A one-off £200 payment is made by Local Authorities to all arrivals on the HFU.
34. **Thank you payments:** Under HFU, sponsors are entitled to a monthly payment of £350 during their Ukrainian guest's first year of stay, which increases to £500 if the sponsor continues to support and accommodate their guest during their second year in the UK.

Monetised (Indirect) Costs and Benefits

35. **Fiscal impact of migrants:** This is split into the following two components:
 - **Fiscal revenue** includes estimates of income tax, national insurance, indirect tax, council tax, corporation tax and Business rates. Modelled salaries are based on internal HMRC data on average wages of Ukrainians in the UK who had applied for a national insurance number and were identified on their systems as being in Pay As You Earn (PAYE) employment. Based on these, the average wage per employed Ukrainian arrival is **£16,000 per annum** (to the nearest thousand).
 - **Fiscal pressure** includes estimated health, education, personal social services, wider public services, core and non-core congestible public goods. As Ukrainian nationals on the schemes have recourse to public funds, welfare estimates are included and based on internal data provided by DWP. This is estimated at approximately **£2,000 per claimant** (to the nearest thousand).

Appraisal Volumes

Baseline Applications and Arrivals

36. Due to the ambiguity and unpredictable nature of the conflict, it is not possible to reliably forecast application and arrival volumes or quantify the uncertainty around estimates in a systematic or robust manner. Noting the low degree of confidence and inherent limitations with such estimates, scenario-based projections have been developed to provide an illustrative path for volumes under the baseline scenario. To reflect the core assumption underpinning

this appraisal, that is, that the situation remains ‘as is’, baseline applications volumes have been flatlined at the latest six-month median outturn level (from May 2023 to October 2023). Specifically, the modelling assumes a consistent submission of 1,400 UFS applications and 3,500 HFU applications each month during the appraisal period.

37. To construct an arrivals scenario that is derived from the initial baseline application series, the following assumptions have been taken into consideration:
- a. **Application processing times:** As mentioned in the National Audit Office’s report⁹, 90 per cent of Ukraine scheme applications have been processed within 15 working days. Based on this, it is assumed for simplicity that all applications are processed within one month.
 - b. **Application grant rates:** Data for the six months, from April to September 2023, suggests a grant rate of 29 per cent for UFS and 71 per cent for HFU applications. These grant rates have been fixed and held constant across the appraisal period.
 - c. **Arrival profiles:** The pattern of arrivals over the appraisal period has been modelled on the observed behaviour of successful Ukraine scheme applicants¹⁰. Specifically:
 - To reflect current trends, the proportion of Ukrainians arriving within three months of their visa grant has been aligned to the observed behaviour of Ukraine Scheme applicants who were granted a visa between April and September 2023 as this represents the most recently available six-month cohort of granted applications where at least three months have lapsed post visa issuance. **Based on the observed behaviour of this cohort, the modelling assumes that 65 per cent of successful applicants arrive within three months of their grant.**
 - Due to the recent nature of this cohort, a comprehensive distribution of arrivals that covers a longer period of time isn’t available. Therefore, the modelling aligns the longer-term end of the distribution with historical data from March 2022 to September 2023. **Based on this data, a non-arrival rate of 25 percent is assumed throughout the appraisal period.**
 - Furthermore, as 95 percent of arrivals within the historical cohort have arrived within six months of their visa grant, it is assumed for simplicity that all modelled arrivals enter the UK within six months of their grant. **Specifically, the remaining ten per cent of successful applicants are assumed to arrive within three to six months of their grant**, with the monthly breakdown being approximated through an even distribution of arrivals, as reported in Table 1.

Table 1: Estimated months between a Ukraine Scheme visa grant and arrival

Months After Ukraine Scheme Visa Grant	1	1 - 2	2 - 3	3 - 4	4 - 5	5 - 6	Non-Arrivals
Proportion of Granted Applicants Arriving in UK	25%	25%	15%	3%	3%	3%	25%

Source: Internal Home Office Management Information Data

38. Alternative application intake and arrival scenarios have been tested as part of sensitivity analysis. However, considering the significant volume of people who have already emigrated from Ukraine and the relatively low emigration rates at present, this assumption has a minimal effect on the analysis.

Departures Modelling

⁹ <https://www.nao.org.uk/wp-content/uploads/2023/10/investigation-into-the-homes-for-ukraine-scheme.pdf>

¹⁰ As no discernible seasonal trends were observed in the arrivals data, adjustments to account for seasonal patterns were not required.

39. Estimating the behaviour of Ukrainian refugees upon the expiration of their visas is not possible, this is in part due to the dependency of their choices on the prevailing state of the world, which is itself unknown. Whilst noting this caveat, permanent departure scenarios have been developed to provide an illustrative sense of scale of net arrivals and associated costings.
40. To do this, the behaviour of the first six months of arrivals has been tracked to balance sample size (as the majority of refugees arrived within the first six months of the schemes going live) with the arrivals' duration of stay in the UK (that is to allow a sufficient period of time to monitor departure and re-arrival activity) to estimate departure rates. A permanent departure has been defined as someone who has been outside of the UK for over 32 weeks without a subsequent arrival. This classification is based on internal Home Office data which suggests that over 90 percent of Ukrainians who have been outside of the UK for 32 weeks have not yet returned. However, the definition of a permanent departures does involve a degree of judgement and is predicated on the underlying assumption that those who have **not yet** returned **will not** return after spending a continuous 32 weeks outside of the UK.
41. The Home Office acknowledges that these scenarios are challengeable, for example the departures behaviour of the first six months of arrivals may not be representative of the entire cohort of subsequent Ukrainian arrivals. In the absence of more complete data, the current approach should be interpreted with caution.

Estimated Policy Impacts

Impact of Policy 1: Closure of the Ukraine Family Scheme

42. Closure of the UFS may cause displacement to the HFU scheme whereby those who would have applied to the UFS under the counterfactual of no closure would now be directed to apply for HFU.
43. As applicant eligibility remains almost identical across schemes, the analysis assumes that 100 per cent of UFS applicants meet the HFU eligibility criteria. However, eligibility doesn't necessarily imply the intention to proceed with an application, and in the absence of information regarding 'actual' intentions, the degree of displacement among this group has been estimated based on the following considerations:
 - **Scheme specific preferences:** Based on internal Home Office data, UFS arrivals have been observed to show a 15-percentage point higher propensity to permanently depart from the UK relative to those on the HFU. This may in part be due to the scheme's design being less optimal than the HFU's. For example, there are fewer checks on accommodation and sponsor suitability, which could imply less stability and a less favourable user experience relative to those on the HFU, thus prompting a higher rate of departure. It is also possible that 'short-termism' under the UFS is in part driven by the scheme's ease and generosity, which may have encouraged its use in place of standard visa products to facilitate short-term visits that are not solely motivated by a need for humanitarian protection. Although highly uncertain, this could suggest that a subset of UFS applicants with short-term travel intentions may be unwilling to apply for a HFU visa due to the lengthier process involved. Whilst the limitations of this assumption are acknowledged, the observed short-term behaviour on the UFS has been used to establish a maximum threshold of 85 per cent for the proportion of displacement.
 - **Sponsor preferences:** Displacement to the HFU scheme may be conditional upon the applicant's ability to be matched with the sponsor they intended to rely upon as a sponsor under the UFS (that is, their family member). In other words, displacement may be a function of UFS sponsor eligibility under HFU. To provide illustrative displacement scenarios, this has been proxied through estimates for the proportion of UK households

with a spare bedroom, which, according to Census data from the Office for National Statistics¹¹, ranges between 50 to 70 per cent¹².

44. Based on the factors outlined above, and noting the caveat that this analysis carries a high degree of uncertainty, the following displacement scenarios have been assumed in the modelling:
- **Upper bound:** UFS applicants are indifferent between family and non-family member sponsors, implying a displacement rate of 85 per cent.
 - **Lower bound:** UFS applicants hold a strict preference of being sponsored by family members. Assuming that 50 per cent of UFS sponsors could satisfy sponsorship requirements under HFU (based on the lower-bound estimate from the proxy measure described above), this scenario assumes a displacement rate of 42.5 per cent.
 - **Central:** In the absence of data on the 'actual' proportion of UFS applicants with a strict preference for sponsorship through a family member, the central case has been modelled as the midpoint between the upper and lower-bound estimates, which is a displacement rate of 65 per cent.
45. Depending on the assumed degree of displacement, the **Net Present Social Value of UFS closure has been estimated to be between £4 million and -£25 million**. The lower-bound of this range is driven by the fact that zero displacement and an overall reduction in arrivals would lower spend and net fiscal pressure. By contrast, although the central and high scenarios represent an overall reduction in net arrivals, given the higher spend and thus cost associated with HFU relative to the UFS, the impact of diverted arrivals (that is, those arriving under HFU instead of UFS) outweighs the impact of the overall reduction in volumes, which implies a net cost to the public sector.

Table 2: Balanced Package Policy 1: UFS Closure. 3-Year, PV (£m)

	Low	Central	High
Direct Cost/Benefit of Policy			
Visa processing costs	1.0	0.6	0.3
Arrival payments	-0.9	-1.0	-2.0
Thank you payments	-7.0	-10	-14
Net Direct NPSV	-7.0	-11	-15
Indirect Costs/Benefit of Policy			
Fiscal revenue	-8.0	4.0	13
Fiscal pressure	19	-8.0	-22
Net indirect NPSV	11	-4.0	-9.0
Total NPSV	4.0	-15	-25

Source: Internal Home Office Analysis

Impact of Policy 2: Changes to HFU Sponsor Eligibility Criteria

46. Following consultation with DLUHC, **there is little evidential basis to suggest that changes to HFU sponsor eligibility criteria would restrict sponsor availability to the point where it could constrain new arrivals**. However, if the demand for a HFU visa is contingent on the desire of applicants to be sponsored by a specific person, for example someone they have a prior relationship with, then limiting sponsors to those who hold some form of permanent residence in the UK could induce a behavioural response by potential applicants.

¹¹ Census - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/census>

¹² Note that 50 per cent relates to non-EU European households, 70 per cent relates to overall households and all results for England and Wales only.

47. Internal Home Office data currently available on the leave status of HFU sponsors are partial, self-reported and hence not suitable to extrapolate from. Therefore, this assessment has focused on quantifying the impact of the policy change on what can be subset of sponsors with temporary permission that can be identified through Home Office operational data – ‘chain sponsors.’ ‘Chain-sponsorship’ refers to the situation in which an applicant is identified as being sponsored by someone who is living in the UK and themselves on one of the Ukraine schemes. To note, this may be an underestimate of the overall policy impact as it has not been possible to estimate the proportion of sponsors with temporary permission who are not ‘chain-sponsors’.
48. To produce an illustrative scenario of the potential scale of future ‘chain-sponsored’ applications, the latest available three-month average (June to September 2023) proportion of chain-sponsored applications has been held constant across the appraisal period at 10.5 per cent.
49. The estimated range of policy impact is modelled upon the assumed behaviour of Ukrainians who would have completed a ‘chain-sponsored’ application under the baseline. That is:
 - a) **Upper bound:** Switch to a sponsor who is eligible under the policy change criteria, which is full diversion to eligible sponsors. In other words, the analysis assumes that an individual who would have been sponsored by a chain-sponsor under the baseline are open to being sponsored by alternative sponsors who are eligible following the policy change. Nonetheless, it is important to acknowledge that chain-sponsored applicants may have pre-existing relationships with their chain-sponsors, which could significantly influence their decision to migrate to the UK. The assumption that these individuals have neutral preferences regarding their sponsors after the policy change is recognised as an illustrative upper-bound estimate that may not reflect actual outcomes. Additionally, considering the lower grant rate of chain-sponsored applications compared to non-chain sponsored applications, a complete diversion to eligible non-chain sponsors could lead to an increase in total arrivals. It is crucial to exercise caution when interpreting this scenario, as although it could be considered a plausible upper-bound, its likelihood of materialising in practical terms remains highly uncertain.
 - b) **Lower bound:** Withdraw their interest in making an application altogether, that is no diversion to eligible sponsors.
 - c) **Central:** In the absence of data on the ‘actual’ preferences of Ukrainian refugees, the central scenario has been modelled as the midpoint between the upper and lower bounds, which is 50 per cent divert to eligible sponsors whilst the remaining 50 per cent withdraw their applications. In line with the overarching theme of this analysis, it is advisable to interpret this scenario with caution.
50. **Based on the above, the estimated Net Present Social Value for Policy 2 is between £44 million and -£5 million over the appraisal period.** This implies, based on the assumptions detailed above, the impact of tightening sponsorship eligibility ranges between a net benefit in our low and central scenarios (driven by reducing arrivals of all those currently estimated to apply with a chain sponsor) to a net cost in our high scenario (driven by potential increased arrivals as a result of reduced refusals to would-be chain-sponsored applications finding eligible sponsors).

Table 3: Balanced Package Policy 2: Changes to HFU Sponsor Eligibility Criteria. 3-Year, PV (£m)

	Low	Central	High
Direct Cost/Benefit of Policy			
Visa processing costs	1.0	0.5	-0.2
Arrival payments	1.0	0.6	-0.2
Thank you payments	10	5.0	-1.0
Net Direct NPSV	13	6.0	-2.0
Indirect Costs/Benefit of Policy			
Fiscal revenue	-22	-13	5.0
Fiscal pressure	54	25	-8.0
Net Indirect NPSV	31	13	-3.0
Total NPSV	44	18	-5.0

Source: Internal Home Office Analysis

Impact of Policy 3: Shortening the Length of Permission Granted Under HFU

51. As described in Paragraph 28, when balanced against the announcement of a new 18-month UPE scheme, the modelling assumes that shortening the length of permission under HFU from 36 to 18 months has no influence on individual behaviour or decision-making processes. The monetary implications of this policy change are therefore projected to be neutral.

Combined Package Impact

52. The estimated impact of individual policy measures, as presented above, assume that all else remains equal, that is they represent the impact of introducing each policy in isolation. Due to interaction effects when introducing policies simultaneously, as is the case, the collective impact of the package cannot be assessed through a simple summation of the isolated policy impacts.
53. As such, conditional on the set of assumptions and related caveats detailed in sections above, **the combined impact of policies 1 and 2 is estimated to range between a Net Present Social Value of £70 million and -£36 million over the three-year appraisal period, with a central estimate of £3 million.**

Table 4: Combined impact of policies 1 and 2. 3-Year, PV (£m)

	Low	Central	High
Net Cost/Benefit of Schemes Relative to Baseline			
Visa processing costs	2.0	1.0	0.1
Arrival payments	0.6	-0.7	-2.0
Thank you payments	5.0	-5.0	-15
Net Direct NPSV	7.0	-5.0	-17
Wider impacts of Schemes Relative to Baseline			
Fiscal revenue	-45	-8.0	26
Fiscal pressure	110	16	-45
Net Indirect NPSV	63	8.0	-19
Total NPSV	70	3.0	-36

Source: Internal Home Office Analysis

6. Risks

54. There is an unavoidable and significant degree of uncertainty inherent within the area of conflict-analysis, which extends to the estimates presented in this Economic Note. For instance, these estimates are conditional upon factors such as the trajectory of the war, situation in Ukraine, international policy response and the behaviour of displaced refugees. It is important to note that these estimates assume that the situation remains 'as is', with no significant escalations or de-escalations over the appraisal period.
55. To account for uncertainty, estimates have been presented in the form of ranges, which reflect alternative policy impact scenarios. However, it is crucial to acknowledge that due to the inherent uncertainty underlying modelling assumptions, the actual impact of the policy changes may deviate significantly in either direction. Therefore, it is essential to consider this scenario analysis as illustrative, and exercise caution when interpreting its estimates.

7. Implementation, monitoring and evaluation

56. The government intends to implement the balanced package of measures through changes to the published Immigration Rules, coming into force on 19 February 2024.
57. The impact of the policy changes will be monitored by the Home Office with the support of other government departments where appropriate. The Home Office will continue to monitor the number of applications for people coming through the HFU and other humanitarian schemes, alongside maintaining open lines of communication with applicants via email and receiving feedback as part of its normal visa issuing processes, through its public enquiry lines, and through formal correspondence with interested parties.

Specific Impact Test Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>An EIA is in place for all three of the Appendix Ukraine schemes (the UFS, the HFU scheme, and the UES) which refers to the direct discrimination on the basis of race (nationality) in favour of Ukrainian nationals.</p> <p>The government does not consider that consolidating the UFS and HFU would constitute further direct discrimination on the basis of race (nationality) but the discrimination remains legitimate and proportionate given the ongoing situation in Ukraine. The government considers any disproportionate impact in respect of race to be justified and a proportionate means of achieving a legitimate aim because of the unprecedented situation in Ukraine and the need to respond quickly to the crisis and safeguard lives. Further, the measures set out here are intended as a temporary arrangement and will be subject to regular review.</p> <p>The Ukraine schemes can be objectively justified as they aim to support those applicants who are significantly impacted by the situation in Ukraine. The underlying policy rationale is to provide a place for temporary sanctuary not to provide or family reunification, though keeping families together is a core consideration in the policy.</p> <p>Leading international organisations, including the International Organization for Migration, now consider that Ukraine is not in an active migration crisis and increasingly focusing on recovery and reconstruction, even as the war continues.</p> <p>Ukrainian nationals and their immediate family members who may be impacted on the closure of new applications under the UFS will still be eligible, if they have an eligible sponsor, to apply under the HFU scheme. They will also still be eligible to apply for a visa under other routes in the immigration rules.</p> <p>The SRO has agreed these findings.</p>	<p>Yes</p>

Annex A – Policy Impact on Volume of Migration Flows

Impact on Arrivals to the UK Compared to Baseline					
Calendar Year	2024	2025	2026	2027	Appraisal Total
Balanced Package Policy 1: UFS Closure					
Low	-1,700	-2,100	-2,100	-300	-6,200
Central	-1,100	-1,300	-1,300	-200	-3,900
High	-400	-540	-500	-100	-1,600
Balanced Package Policy 2: Changes to HFU Sponsor Eligibility Criteria					
Low	-2,000	-2,200	-2,200	-400	-6,900
Central	-900	-1,000	-1,000	-200	-3,000
High	300	300	300	100	900
Combined Package Impact					
Low	-3,900	-4,500	-4,500	-800	-13,800
Central	-2,000	-2,400	-2,400	-400	-7,200
High	-100	-210	-210	0	-600

Source: Internal Home Office Analysis

Impact on Departures from the UK Compared to Baseline					
Calendar Year	2024	2025	2026	2027	Appraisal Total
Balanced Package Policy 1: UFS Closure					
Low	-900	-1,300	-1,300	-100	-3,600
Central	-800	-1,100	-1,200	-100	-3,200
High	-700	-900	-900	0	-2,500
Balanced Package Policy 2: Changes to HFU Sponsor Eligibility Criteria					
Low	-300	-500	-600	-100	-1,500
Central	-100	-200	-200	0	-400
High	0	100	100	0	200
Combined Package Impact					
Low	-1,200	-1,800	-2,000	-200	-5,300
Central	-900	-1,400	-1,500	-100	-3,800
High	-600	-900	-800	0	-2,300

Source: Internal Home Office Analysis

Net Impact on Flows In/Out of the UK					
Calendar Year	2024	2025	2026	2027	Appraisal Total
Balanced Package Policy 1: UFS Closure					
Low	-800	-800	-700	-300	-2,600
Central	-300	-200	-100	-100	-700
High	200	400	300	-100	800
Balanced Package Policy 2: Changes to HFU Sponsor Eligibility Criteria					
Low	-1,700	-1,700	-1,600	-300	-5,400
Central	-800	-800	-800	-200	-2,500
High	200	200	200	50	800
Combined Package Impact					
Low	-2,700	-2,700	-2,500	-600	-8,500
Central	-1,100	-1,000	-900	-300	-3,300
High	500	600	600	0	1,700

Source: Internal Home Office Analysis