

Title: Impact Assessment; tackling illegal immigration in privately rented accommodation IA No: HO0094 Lead department or agency: Home Office Other departments or agencies: N/A	Impact Assessment (IA)		
	Date: 25/09/2013		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Primary legislation		
Contact for enquiries: HOlandlordregulation@homeoffice.gov.uk			

Summary: Intervention and Options	RPC Opinion: GREEN
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Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Two-Out? Measure qualifies as
-£63m	-£49.4m	£4.7m	Yes IN

What is the problem under consideration? Why is government intervention necessary?
 Housing is a key enabler of illegal migration. The policy is intended to reduce the availability of accommodation for those intending to stay illegally in the UK. The policy is also intended to tackle the exploitation of migrants by rogue landlords. Government intervention is necessary to deter illegal immigration.

What are the policy objectives and the intended effects?
 The policy is intended to reduce the availability of accommodation for those residing illegally in the UK. The policy is intended to discourage those who stay illegally and encourage those who are resident in the UK illegally to leave by making it more difficult to establish a settled lifestyle through stable housing. The proposal will also reinforce action against rogue landlords who target vulnerable tenants by putting people who are illegally resident in overcrowded accommodation.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 There are two options under consideration;
 1) the "Do nothing" option would involve no changes to the current law. There is currently no requirement for landlords to check the residency status of those who they intend to let property to. The availability of rented property is a key enabler for those intending to enter or remain in the UK illegally.
 2) The alternative, preferred, option is to make a legislative change to introduce a requirement on landlords to check the residency status of new tenants backed by Civil Penalty.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: October 2016					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro Yes	< 20 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: Mark Ham Date: 14.10.2013

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2013	PV Base Year 2014	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -25	High: -137	Best Estimate: -63

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	6.6	3.7	34.6
High	54.8	25.2	256.3
Best Estimate	22.6	10.5	105.9

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

Home Office - Creation of advice and checking service for landlords and costs associated with issuing civil penalties.

Home Office - Costs associated with additional removals and voluntary departures of people who are illegally resident.

Landlords and letting agents - costs associated with familiarisation and additional checks.

Landlords and tenants - Additional costs imposed by letting agents

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

Cost to tenants in providing and (where necessary obtaining) the required evidence

Indirect costs to wider parties, such as local authorities, hostels and citizens advice services in providing advice.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	1.2	10.0
High	0	14.0	119.3
Best Estimate	0	5.1	43.2

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

Public Sector income derived from civil penalties.

Increase in turnover for letting agents

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

Increased detection and removal of immigration offenders.

Indirect benefits to the housing market, such as reduction in risk to landlords as a result of performing more due diligence checks on tenants and reinforce action against rogue landlords who target vulnerable tenants by putting people who are illegally resident in overcrowded accommodation. Intelligence sharing will help target the worst offenders.

Public sector savings from reduction in delivery of public services to those who have left the UK.

Increased employment opportunities for UK residents

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
Time required to make additional checks		
Volume of tenancy agreement issued each year		
Number of landlords and letting agencies		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:	In scope of OITO?	Measure qualifies as
Costs: 4.7	Yes	IN
Benefits: 0		
Net: -4.7		

Evidence Base

Executive Summary

The overall costs and benefits of the proposal are presented in the table below.

Summary of Costs and Benefits	10 yr impact (£m) PV
Costs	
<u>Set-up costs</u>	
1. Training and familiarisation costs - Home Office	£0.04
2. Home Office Enquiry Service Set up and maintenance	£0.0
3. Home Office IT Set up and maintenance	£0.0
4. Familiarisation costs - Landlords	£22.6
Total Set Up Costs	£22.6
<u>Ongoing costs</u>	
1. Home Office Staff Impacts	£7.5
2. Home Office Cost of Objections	£0.8
3. Home Office Cost of Appeals	£0.3
4. Assisted Voluntary Departures Costs - Home Office	£0.0
5. Cost to Landlords of Processing Checks	£36.5
6. Cost to Landlords of Reporting	£0.0
7. Appeal and Objection Costs for successful landlords	£0.02
8. Additional charges by letting agencies to cover costs	
Charges to Landlords by Letting Agencies	£18.2
Charges to Tenants by Letting Agencies	£18.2
9. Diary Input	£1.7
Total Ongoing Costs	£83.3
Total costs	£105.9
Benefits	
<u>Ongoing Benefits</u>	
1. Public sector income from penalties	£6.8
Reduced public service costs from departures	£0.0
Increased employment for UK residents	£0.0
2. Increased turnover for letting agents	£36.4
Total benefits	£43
Net present value	-£62.7

The preferred option is legislation to require landlords to make checks on a tenant's residency status and an associated prohibition on letting property to those in the UK illegally. The quantified costs exceed the quantified benefits; mainly due to familiarisation costs and costs of doing checks. However, the policy is expected to increase the number of voluntary departures from the UK meaning the benefits are likely to be underestimated. The volume of voluntary departures cannot be quantified; however, it is thought that the benefits will exceed the costs.

Increasing the volume of voluntary departures from the UK will result in potential benefits in terms of savings in the delivery of public sector services and increased employment opportunities for UK residents. The policy would breakeven with an NPV of zero, if an additional 300 people, who would otherwise have remained in the UK indefinitely, leave the UK each year. A study by the London School of Economics (LSE) suggests that there are around 500,000 adults illegally resident in the UK¹. This represents less than 0.1 per cent of the illegally resident population or an increase of 1 per cent in the volume of voluntary returns seen in 2012.

¹ Gordon, K Scanlon, T Travers and C Whitehead (2009), Economic Impact on the London and UK Economy of an Earned Regularisation of Irregular Migrants to the UK, at http://www.london.gov.uk/mayor/economic_unit/docs/irregular-migrants-report.pdf

A. Strategic Overview

A.1 Background

Immigration has brought benefits to the United Kingdom. The Government believes that we should continue to be an open and diverse society, which attracts and welcomes the brightest and the best to help promote economic growth and competitiveness. The Government is committed to operating proper controls on immigration, to ensure that public confidence in the system is rebuilt and pressures on communities and public services are alleviated.

The Government is also determined to reduce illegal immigration and to take a tougher approach to dealing with those who have either entered the country illegally or overstayed their visa. Some people who are illegally resident are exploited and, in the worst cases, they can end up living in overcrowded and poor housing conditions whilst generating significant profits for unscrupulous landlords. This can have a corrosive effect on communities and individuals and undermine the availability of homes and jobs for people who are legitimately in the UK.

The Government proposes to put in place a new requirement for landlords to make simple checks on tenant's residency status, through legislation introduced in the Immigration Bill. The policy of requiring checks on tenants sits alongside and complements other steps that have been taken to restrict and discourage illegal immigration. These include steps to restrict access to financial services and restrictions on access to welfare benefits. The aim of these measures is to discourage those who stay illegally or encourage those who are in the UK illegally to depart voluntarily.

A.2 Groups Affected

The policy will affect all private tenants², of whatever nationality, where they pay to live in rented accommodation as their main or only home, except where the tenant occupies certain exempted property types. The following types of accommodation are excluded:

- Social housing rented to tenants nominated by the local authority;
- Privately rented homes let to people under the homelessness legislation;
- Accommodation provided to employees;
- Tourist accommodation such as hotels and guest houses;
- Properties let under short term business or holiday lets;
- Properties rented for commercial use (shops, offices, etc);
- Hostels and refuges providing crisis accommodation to homeless and other vulnerable people;
- Hospital accommodation of patients, hospices, care homes etc; and
- University / college halls of residence, boarding schools and children's homes.

The policy will impact landlords of all private rented accommodation whether or not the landlord lives on the premises. The policy is therefore intended to include those within the small scale informal sector who may allow lodgers within their own home, as well as more formal landlords. Letting agents who provide checking services to landlords may also be affected.

The public sector, including the Home Office, will also be affected.

A.3 Consultation **Within Government**

Aside from the Home Office, the Government departments consulted or involved in the formulation of the policy include: Department of Communities and Local Government; Cabinet Office; Office of the Deputy Prime Minister; HM Treasury; Ministry of Justice; Department of Business, Innovation & Skills; Government Equalities Office; Department for Culture, Media & Sport; Department for Transport;

² For the purposes of this Impact Assessment, we use the term 'tenant' in a broad sense to include not only people living in rented accommodation under a tenancy (such as an assured tenancy or assured shorthold tenancy, in England and Wales) but residential occupiers paying money to occupy accommodation under licences as well as people paying to stay in tourist accommodation and equivalent arrangements outside England. The terms 'landlord' and 'tenancy' are also similarly broadly construed.

Northern Ireland Office; Wales Office; Scottish Office; Department for Work & Pensions and the Devolved Authorities.

Public Consultation

A 7 week consultation was conducted by the Home Office, running from 3 July 2013 until 21 August 2013. A high level summary of the consultation responses is set out in Annex 2. The full consultation response will be published in due course.

B. Rationale

Illegal migration causes a number of economic and social problems and presents a challenge to the rule of law, eroding public confidence and undermining the integrity of the immigration system. By working for very low (and at times illegally low) wages, people who are illegally resident can make it more difficult for people who are in the country legally to find employment. Such people are also vulnerable to exploitation. Those who are in the UK illegally add to the demand for housing, thereby putting pressure on rents – particularly in those areas of the country where there are already significant housing pressures.

It is the responsibility of the Home Office to prevent illegal immigration by operating strong border controls and removing from the country those who overstay or enter illegally. Our aim is to send a clear and strong deterrent message, both here and overseas.

There are already tight controls to limit access to social housing for those who are resident in the UK illegally. But, whilst many responsible private landlords already make identity and credit checks on prospective tenants, there is no current requirement on them to check tenants' residency status meaning accommodation in the private rented sector is widely available to those who are in the UK illegally.

The proposal to introduce a legislative requirement to check residency status and deny access to housing to immigration offenders will assist in encouraging the departure of those in the UK illegally and deterring arrivals of those who overstay their visas, thereby protecting our public services from misuse and protecting local communities. Better control over access to the housing market will help protect the legitimate housing market from being undercut by those who evade safety and housing laws, evade tax, exploit migrants and create community tension.

This policy is part of a coordinated package of legislative and administrative measures that are designed to have the effect of reducing the attraction of the UK as a destination for prospective illegal residents and to encourage those that are residing in the UK illegally to leave voluntarily. As well as introducing new restrictions on illegal migrant access to housing, this is to be achieved through strengthening controls on the employment of illegal migrant workers, restricting access to financial services, better controlling access to employment and public services by making residence status checks on migrants it easier and more effective by fully implementing biometric residence permits, and streamlining the immigration appeals and the enforcement process.

C. Objectives

The Government's objectives are:

- Primarily, to make it more difficult for illegally resident individuals to gain access to privately rented accommodation. Together with other policies restricting access to benefits and services, the policy is intended to encourage more people who are illegally resident to choose to leave the country, and may reduce the possibility to overstay;
- To provide a deterrent to those who seek to exploit illegal residents by providing illegal and unsafe accommodation and reinforce action against the growth in illegal housing structures, the so called Beds in Sheds issue, by tackling those responsible for breaches of housing law, health and safety laws and overcrowding; and
- To undermine the market for those who seek to facilitate illegal migration or traffic migrant workers.

D. Options

Option 1 - Option 1 is to make no changes to the current legislation, with the effect that (outside the social housing sector) there is no legal requirement on landlords to check the residency status of their tenants.

Option 2 - Landlords will be required to check the residency status of prospective tenants prior to allowing them to take up residence in a property. For those without settled status in the UK, residency status will also be checked when their permission to reside in the UK is due to expire or after one year, whichever is the longest time period. There will be an associated prohibition on letting property to those people who are unlawfully present in the UK.

Before renting accommodation anywhere in the United Kingdom to a new tenant, landlords will be required to check an individual's right to reside in the UK using a checklist of specified documents. The landlord will also be required to keep a copy for his records. The landlord should arrange to recheck status after a migrant's permission to reside in the UK is due to expire or after one year – whichever allows the longest period between checks. The Home Office will operate an enquiry service for landlords who require support in understanding the documents they are required to check. Unless it is reasonably apparent that the documents provided by the tenant are forgeries, the landlord will not be held responsible for accepting a forgery. If the tenant cannot produce satisfactory evidence, the landlord should not rent accommodation to them – and would be liable to a civil penalty if he were subsequently found to have rented accommodation to an illegal migrant without having made the necessary checks. The landlord will be able to discharge their responsibility to a letting agent providing tenant checking services on their behalf.

Where Home Office officials identify that a person living in rented accommodation is an illegal resident, they would issue the landlord with a notice of potential liability, advising the recipient that they may be liable for a civil penalty. The Home Office would then either issue a notice of liability requiring the landlord/letting agent to pay a civil penalty; issue an advisory letter if the Home Office was satisfied that the people who are illegally resident had been living in the property before the policy came into effect; or notify the landlord that no advisory letter or notice of liability would be issued.

The landlord will be able to make a representation against the notice of liability and penalty through an objection raised with the Secretary of State, followed by a right of appeal to the courts.

The proposed penalty system will send a signal to landlords to take their obligations seriously whilst not discouraging law-abiding people from becoming or remaining landlords or create excessive penalties for unintentional breaches, while being practical to administer and straightforward for landlords to understand. The Government proposes an approach which differentiates between different levels of seriousness, as follows:

- Category A – No notice of liability has been served on the person in the previous three years (previous notices of liability which had been withdrawn or rescinded following objection or appeal would not count for these purposes); and
- Category B – All notices of liabilities that are not Category A notices. This category would apply where the recipient has been served with one or more advisory letters or notices of liability (that have not been withdrawn or rescinded) in the past three years.

The Home Office also propose to introduce different levels of penalty to ensure that a proportional approach is taken. A higher level of penalty is proposed for landlords formally renting a property while a lower level is proposed for those renting a room in their property. The level of the proposed penalties is set out in table 1.

Table 1: Proposed penalty levels

Penalty per adult illegal non-EEA migrant	Category A	Category B
For landlords renting a property.	£1,000	£3,000
For landlords renting a room in their home.	£80	£500

The duty to check a tenant's status will fall on the individual or body who rents out the accommodation – usually the landlord, unless (where relevant) the landlord and letting agent agree that this responsibility should be transferred to the letting agent. The duty will arise only where premises are being let for a monetary payment. The landlord will be required to make enquiries as to which adults will be living in the premises as their place of residence and will be required to check the residency status of all of those persons.

It is intended that these obligations should extend to all types of tenancy and licence arrangement, other than those where landlords are already under an obligation to check the residency status of tenants, such as social housing provided to tenants nominated by local authorities and other specified exemptions. This includes private individuals letting a room within their home, if receiving payment for doing so. The Government is also considering how to incorporate misdemeanours under this legislation into decisions on awarding houses of Multiple Occupation (HMO) licences.

The scheme will be administered by the Home Office. Landlords will be able to seek advice from the Home Office where they are unsure of a prospective tenant's status in the United Kingdom, or where document verification is required. Investigations and enforcement work will be undertaken by Home Office Immigration Enforcement Officers.

We are considering options for phasing the implementation of the policy to enable us to test our processes before it is rolled-out across the sector. This will help us to make certain that the measures we have in place to limit the impact on business are effective. A phased implementation to parts of the sector to begin with will only ever restrict the initial costs to business nationally, it will not add to them. As this is still under consideration the costs and benefits presented in this IA are based on a full roll out.

E. Appraisal (Costs and Benefits)

General Assumptions and Data

This IA covers a 10-year period from 2014/15, in line with guidance from the Regulatory Policy Committee (RPC) and the Better Regulation Executive (BRE). The Immigration Bill is expected to obtain Royal Assent during 2014. We propose to fully implement the scheme outlined in this IA from October 2014. This IA aims to set out the best estimates of the policy impacts at the final stage of policy development, using the available evidence. Any key uncertainties are highlighted and key assumptions are tested in the sensitivity analysis to show the range of potential impacts.

Objective function

In January 2012, the Migration Advisory Committee (MAC) published a report on the impacts of migration and recommended that migration policy impact assessments should concentrate on the welfare of the resident population. The policy assessed in this impact assessment therefore aims to maximise the welfare of the legally resident population - defined as those formally settled in the UK or nationals of the UK. The NPV should include the effects from any change in fiscal, public service, consumer and producer surplus and dynamic effects where practical and appropriate, but should exclude forgone migrant wages (net of taxes).

In this case any costs on a migrant associated with leaving the UK will affect only non compliant individuals (those who are illegally resident) who are deterred from entering or staying in the UK. The Better Regulation Framework Manual (2013) states that an IA should not include costs and benefits that accrue to non compliant organisations or individuals, so we exclude these effects from our analysis. In addition, this IA takes the position that any costs or benefits accrued as a result of an illegal migrant remaining in the UK are not considered in the cost benefit analysis. So no consideration is made of the impact on businesses that employ people who are illegally resident, and we do not include any impact on the UK Exchequer as any taxes paid by a migrant resident in the UK illegally accrue directly as the result of an illegal action. This is consistent with the treatment of criminal activity in other Home Office IAs. The Home Office also believe that the IA process should not capture the 'benefits' associated with illegal activity as this may lead to perverse incentives in the decision making process.

The IA does include the benefit to the UK resident population of removing additional volumes of people who are illegally resident from the UK. This includes savings in providing publicly funded services such as healthcare and education and additional labour market participation.

Baseline Volumes

The volume of landlords and tenants affected by the proposed policy change is set out in Annex 3. The Home Office does not forecast future levels of migration or future activity in the housing market. Thus, it is assumed that the volumes affected and the volume of checks made by landlords remains constant over the period assessed in this impact assessment.

Option 1 – Do nothing

There are no additional costs or benefits of option 1. However, there will be a number of risks and costs that will continue to arise. In particular, if there is no policy change, it is unlikely that there will be any change in the behaviour of people who are illegally resident or landlords. The costs associated with people who are illegally resident, such as additional burdens on the taxpayer, will continue. There are no additional benefits associated with option 1. The lack of deterrence will not lead to a change in the volume of people who are illegally resident.

Option 2 – Legislative requirement for private landlords to check and record the residency status of new tenants.

The estimated volume impacts of the policy framework are translated into estimated monetary values for inclusion in the cost-benefit analysis under two broad headings – direct costs and benefits on the one hand, and indirect, or “wider”, costs and benefits on the other.

The **direct** costs and benefits are those that are clearly and immediately related to landlords checking the residency status of their tenants. The direct costs include, for example, the cost to the landlords of carrying out the required checks. The direct benefits, on the other hand, include income for the HM Treasury consolidated fund from civil penalties issued to non compliant landlords.

The **wider**, or **indirect**, costs and benefits are those that occur as a result of the direct impacts, **including behaviour changes**. They should be considered when the impacts are thought to be significant. The wider costs include a set of assumptions relating to the wider economy. The wider costs and benefits include the impact on UK public services if the volume of people leaving voluntarily increases and the subsequent replacement of employees by UK residents.

The following sections describe in more detail how costs and benefits have been calculated, and summarises the results. In general the method is straightforward: total costs and benefits are the product of a change in volume and an estimated unit cost or benefit, adjusted for the particular impact being considered.

Impact of behavioural change

There are uncertainties surrounding the assumptions and impact estimates, particularly around behavioural change by those seeking to remain in the UK illegally – it is hoped that the proposals will encourage the departure of existing immigration offenders and deter arrivals of those who overstay their visas. Where relevant, we have modelled a range of scenarios to investigate the volume impacts under differing behavioural assumptions, and we have set out those which have a significant impact on our estimates.

Costs

Set Up Costs

Training and familiarisation - Public Sector

There are likely to be some training and familiarisation costs for Home Office staff. The Home Office estimate that this training is likely to take around 2 hours and will affect 1,350 staff. The total costs are around £0.04m (PV) and fall in year 1 alone.

In addition, there would be costs associated with updating handbooks for staff, issuing guidance and codes of practice for landlords. These costs have not been quantified as guidance for staff and others is routinely maintained and updated. The Home Office may also face costs associated with setting up a facility for the creation and storage of data relating to queries from landlords however it is expected that current process and facilities can be utilised and any additional costs are expected to be negligible.

Familiarisation - Private Sector

There will be familiarisation costs for landlords and letting agents. As set out in Annex 3, it is estimated that there are 1.78 million landlords in the UK. Around 1.58 million are individuals and the remainder are businesses or other organisations. It is thought that 43 per cent³ of landlords employ a letting agent to carry out new tenant checks on their behalf. However, it is assumed that all landlords may need to be familiar with the requirements of the legislation. The checking requirement is not expected to be onerous and will not take a significant amount of time to become familiar with. Landlords and letting agents will need to be familiar with a checklist of steps they will have to carry out each time they rent a property.

A significant proportion of landlords and letting agents already carry out checks on the documents that will be used for a residency status check. Around 40 per cent of the landlords who responded to the public consultation already check a passport before letting a property. Landlords associations, such as the Residential Landlords Association (RLA), promote checking and retaining a copy of an identity document as sensible steps in the letting process. Checking and retaining a copy of the document, as advised by the RLA, will be sufficient for a landlord to discharge their checking duty and establish an excuse against a civil penalty.

The Property Ombudsman covers around 10,000 letting agents (an estimated 65 per cent of the market) and the issues a compulsory code of practice for these agents. The letting code of practice issued by the Property Ombudsman states that letting agents should diligently verify the identity and nationality of a prospective tenant and record this information. This is replicated in the code of practice for Association of Residential Letting Agent (ARLA) members. As stated above, these checks will be sufficient for a landlord to discharge their checking duty and establish an excuse against a civil penalty.

The consultation responses and proportion of the market covered by the Property Ombudsman suggest that a significant proportion of landlords, the majority of which are micro or small sized organisations, already check passports as part of the letting process. This implies that the majority of landlords are already familiar with many of the documents they will be required to check and the additional burden will be small. Landlords will be required to read through a document setting out the checks they are required to make and record. The Home Office will ensure that the information is provided in a simple and easily accessible format. Landlords will **not** be required to be familiar with the entire immigration system nor every document that they could be presented with. Instead, they will only need to be familiar with the steps they will be expected to take at the start of a new tenancy agreement. It is thought that familiarisation will take between 30 minutes and 2 hours, with a central estimate of 1 hour per landlord or letting agent branch.

The Understanding Landlords Survey (2013) estimates the earnings of individual landlords. The median monthly earnings of all landlords are estimated at £1,375. Assuming that this applies to a standard 40 hour week, hourly earnings are estimated at £7.93.

Familiarisation costs for landlords operating as a business or other organisation are assumed to apply to administrative staff. The annual survey of hours and earnings (2012) suggest that median salary for administrative staff is £10.07 per hour. Non wage costs of 16.4 per cent⁴ are added to this cost. It is thought that training will be cascaded to cover all staff.

There are around 15,000⁵ letting agents in the UK who will be required to be familiar with the policy change. The time required to become familiar with the policy change is assumed to be the same as for

³ *Private Landlords Survey 2010*, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7250/2010393.xls

⁴ BIS Guidance on non wage labour costs.

⁵ Property Ombudsman estimate. Annual Report 2012 at http://www.tpos.co.uk/annual_reports.htm

landlords. It is thought that training will be cascaded to cover all staff. The annual survey of hours and earnings (2012) suggest that median salary for estate agents is £11.75 per hour. Non wage costs of 16.4 per cent are added to this cost.

The proposal will also apply to households renting a spare room to lodgers. As set out in Annex 3, there are around 950,000 households renting a room to a lodger in the UK. The time required to become familiar with the policy change is assumed to be the same as for landlords. It is assumed that landlords of lodgers would face the same cost of time as other individual landlords. Those letting a spare room in their home are not considered to be operating as a business as their property is not primarily viewed as a source of income; instead it is considered as their home. Thus the costs to this group have been excluded from the One In Two Out (OITO) costs.

Additional set up costs for letting agents and landlords in terms of contract drafting and IT systems are expected to be minimal. Landlords and agents will not need to make changes to existing rental contracts; the checking obligations will be discharged before any agreement is entered into, and the legislation has been designed to prevent landlords seeking to discharge their responsibilities by adding a clause into contracts that disqualifies illegal migrants from entering into the lease.

IT costs for letting agents will be limited to adding dates for re-checks to existing calendar arrangements. This could equally be achieved with a paper diary. Either way, we would expect this to be incorporated into existing administrative arrangements at little or no additional expense.

Landlords are unlikely to face additional costs in terms of setting up a record system. Landlords are already expected to keep financial records for tax purposes. Therefore, adding a copy of the document checked at the start of the tenancy agreement will be sufficient to discharge their checking duty and establish an excuse against a civil penalty.

Table 2 – Familiarisation costs for landlords

Type of Landlord	Value of Time (hourly rate)	Non wage costs	Volume	Total cost (£m)	
Individual Landlord	7.93	0%	1,584,000	£	12.6
Business Landlord	10.07	16.40%	192,000	£	2.3
Letting Agent	11.75	16.40%	15,000	£	0.2
Landlord of a Lodger	7.93	0%	950,000	£	7.5
Total				£	22.6

Source – Home Office Analysis

Direct Ongoing Costs

Operational costs to the public sector - monetised

Home Office Checking and Query Services – The Home Office will set up a telephone enquiry service for landlords to ask basic questions regarding the scheme, such as when to carry out checks and which types of document are valid. The Home Office will also offer individual status checks, to provide landlords with status verification in cases where no documents are available or where the document must be verified with the Home Office.

Immigration Officers will serve a Notice of Potential Liability on a landlord where a suspected immigration offender is detected informing them that they may be liable to a penalty. Consideration of any defence against liability and the management of the appeal process will be handled by a dedicated unit similar to that which currently manages Civil Penalties in cases of workplace enforcement.

The Home Office estimates that around 38 additional staff will be required to staff the checking and query services and the dedicated civil penalty teams. The total cost is expected to be £7.5m (PV) over a 10 year period.

Home Office – Objections against civil penalties – The Home Office issue around 1,300 notices of potential liability of a civil penalty to employers each year. Enforcement teams will often search the home address of an illegal migrant caught during an employer visit. Around 50 per cent of these home visits are assumed to result in a civil penalty for the landlord. In addition, home visits by enforcement officers

result in the identification of around 350 people who are illegally resident each year. It is assumed that around 50 per cent of these will result in a civil penalty being issued to the landlord. In total, it is assumed that around 830 penalties will be issued per year and that these will be distributed among types of landlords as suggested by the proportion of dwellings in the Private Landlord's Survey. (Table A2.6 – Annex 3)

Table 3 – Volume of penalties expected to be issued annually by type of landlord.

Type of Landlord	Volume - Penalties	Volume - Objections	Volume - Appeals
Individual Landlord	270	160	30
Business or other organisation Landlord	110	70	10
Letting Agent	280	180	30
Landlord of a lodger	170	100	0

Source – Home Office Analysis

Over the last two years an average of 62 per cent of employer penalties issued resulted in an objection to the Home Office. It is assumed that this proportion will object against a landlord penalty, implying that around 510 objections will be received each year. Each objection costs the Home Office around £200, meaning the total cost will be £0.8m over 10 years.

Home Office – Appeals against civil penalties – Around 11 per cent of civil penalties issued to employers appeal to the courts against the penalty. It is thought that the proportion of landlords and letting agents appealing as against penalties issued to landlords may be lower as landlords will be required to raise an objection before an appeal. However, the proportion that will object and subsequently appeal is not known. 11 per cent is used to estimate the potential number of appeals, although this is likely to be an overestimate for the reason stated above, and this is tested in the sensitivity analysis. It is thought that landlords of lodgers will not appeal against category A (£80) penalties as the fee to the courts for bringing an appeal is greater - £235⁶. The cost to the Home Office of each appeal against an employer penalty is £550. If the costs are assumed to be the same as for employer penalties, the total cost is £0.3m (PV) over ten years.

Those appealing against the penalty will be charged a fee of £235 to take their appeal to the courts. This is set at a level that fully recovers the costs associated with appeals for the court service, meaning there is no impact on the judiciary system.

Costs to the public sector – non monetised

Home Office – Increased voluntary departures – The proposed policy change is estimated to increase voluntary departures from the UK, although the volume is unknown. Voluntary departures in 2012 totalled 24,900, of which 1,200 were assisted voluntary departures (AVR), 5,800 were notified voluntary departures and 17,900 were other confirmed voluntary departures. There is no cost to the Home Office associated with notified or confirmed departures. Each AVR implies a cost of around £3,000 to the Home Office.

Impact on Local Authorities through increased demand for services - The Home Office is working to resolve any potential impacts and expects the impact on local authorities to be negligible. Local authority accommodation will be exempt from the proposals as local authorities already check status. However, local authorities may be affected in the following ways:

- People without status who are currently in the private rented sector will find themselves without accommodation. Some of those people (e.g. families with children) might qualify for local authority support and are likely to apply to local authorities for accommodation when their access to the private rented sector ends. This group is likely to be low in volume. Home Office operational enforcement teams will prioritise such cases for conclusion when they are brought to our attention.
- Some people without documents will anticipate that it will be more difficult for them to access the private rented sector, and may approach local authorities for accommodation instead. The list of

⁶ The fee is £87 to the Sheriff's court in Scotland. Only 8% of appeals are thought to be in Scotland.

documents that will be accepted by a landlord will be broad and is intended to make sure access to the private rented sector is unimpeded for those with the right to be in the UK.

- Local authorities will need to give advice on the new process to their tenants who want to take in lodgers. However most already produce guidance for tenants who want to take in lodgers and believe that the new requirement can be easily added to the guidance.

Costs to the private sector – monetised

Landlords – cost of carrying out checks – Landlords will face additional costs through the checks that will be required on each new tenant at the beginning of a tenancy agreement and additional checks on non settled residents either when their leave expires or after one year. It is assumed that non settled residents will require a further check once each year. This is tested in the sensitivity analysis.

Private landlords are not expected to be experts in immigration. There will be a list of documents that they can accept to make the checks. The Home Office will publish concise guidance so that landlords can easily recognise documents that are presented to them. Landlords will be able to use a process map on the Home Office website which will guide them through the checking process and allow them to identify the documents they have been presented with.

Acceptable documents will include passports for all tenants, biometric residence cards (BRP) and visa stamps for non EU nationals and birth certificates/driving licences for UK nationals. A BRP is a card that evidences nationality, identity and status and will enable checks to be much simpler for non EU nationals. It clearly identifies when a person's legitimate status in the UK ends. The Home Office is also developing free to market automated checking resources to capitalise on smart chip technology in BRP's, which may make the check even simpler and quicker. BRP's are currently issued to all visa applicants outside the UK and are being rolled out to those applying from inside the UK. There are currently in excess of 1 million BRP card in existence.

Responses to the consultation suggest that around 70 per cent of landlords already carry out and record identity checks on those renting a property. Where a passport is already checked for UK or EU nationals, or other proof of UK or EU identity, no further check will be required.

It is thought that the time taken to perform a check will vary by nationality of the tenant. This is supported by responses to the consultation. For example, the National Landlords Association (NLA) stated that the length of time required to make a check will vary depending on the nationality and status of an individual and the availability of appropriate documentation. Their view was that for an EU or UK passport holder, a check would take only a few minutes. This was supported by responses from the British Property Federation (BFP) who stated that checks for simple cases, such as for UK and EU nationals, would not take very long. The NLA also pointed out that support and guidance from the Home Office would be critical in making the checking process effective. The Home Office will provide simple and easily accessible guidance setting out the different types of documentation that will be valid for each nationality.

Based on the above consultation responses, it is assumed that the check will take very little time for UK and EU nationals or those with a BRP - between 2 minutes and 10 minutes, with a central estimate of 5 minutes. Landlords will only be expected to view the document and take a copy for their records, responses to the consultation suggest that 70 per cent of landlords already keep records of their tenants for at least a year after the tenancy commences. Landlords are not expected to be experts in immigration documentation and the identification of false documents. Checks are assumed to take longer for non EU nationals who do not have a BRP - between 5 minutes and 20 minutes, with a central estimate of 10 minutes. Checks are likely to take longer still for those with no passport as a wider range of documents will be required, this is assumed to take between 10 and 30 minutes with a central estimate of 20 minutes. However, the majority of those without a passport were born in the UK or EU and are likely to be UK or EU citizens. This means contact with the Home Office is unlikely to be necessary and the documents presented are likely to be familiar to landlords as they include birth certificates and driving licences.

The estimates given above includes the time required to view the document, contact the Home Office where necessary, and record and keep details of the check in a safe place until at least a minimum

period (indicatively 12 months) has expired after the tenant has stopped living at the property (or so long as is required for any other record keeping purposes) before disposing of it securely in accordance with the Data Protection Act. These estimates are per adult in each tenancy agreement. There may be adults of different nationalities within one tenancy agreement.

It is assumed that the cost of time is as set out on page 10 for all types of landlord and the volume of annual checks is as set out in Table A3.7 (Annex 3).

Table 4 – Cost of checks to landlords

Type of Landlord	10 year cost of checks (PV) £m
Individual Landlord	£9.5
Business Landlord	£5.7
Letting Agent	£17.4
Landlord of a Lodger	£3.9
Total	£36.5

Source: Home Office Analysis

Landlords – cost of recording and maintaining records of checks undertaken and reports made –

Landlords will also be expected to record when a tenants right to reside in the UK expires and carry out a further check at that point or a year after the original check, whichever offers the greatest time period between checks. Of the 7.6 million adults in the Private Rented Sector in the UK (See table A3.4), 7.0 million (92 per cent) are UK, EU or assumed to be settled in the UK, who would not require a further check during their tenancy. For the remaining 8 per cent of tenants, landlords will be expected to keep a note of when their status is due to expire and conduct a further check when that occurs or one year later. As stated above, these costs will be limited to adding dates for re-checks to existing calendar arrangements, either through a computer based package, such as Outlook, or a paper diary. There is no robust evidence available to quantify this impact. However, intuitively it should not take long to input a diary entry, therefore, assuming that it takes a couple of minutes and that an entry is logged every year, the cost is likely to be around £0.2m per year (£1.7m PV over ten years).

Landlord – additional fees payable to letting agent – Concerns over the high fees charged by letting agents are well documented. Shelter⁷ has recently produced a report with referred to the high and opaque fees charged by letting agents, especially in relation to the service received. Thus it seems reasonable to assume that letting agents will at least pass on the costs associated with familiarisation and checks to prospective landlords and tenants. The central estimate assumes that letting agencies pass on 100 per cent of their costs to both tenants and landlords. This is an indirect impact caused by a behaviour change by the letting agent. The legislation does not require letting agents to accept liability for the checks. If a letting agent does so and charges an additional fee to make the checks, this is the letting agents decision to do so. The additional costs are thus not included in the OITO estimate.

Table 5 – Additional fees payable to letting agent

Type of Landlord	10 Year Additional Cost (PV) £m
Individual Landlord	£12.9
Business Landlord	£5.3
Total	£18.2

Source: Home Office Analysis

Landlord – cost of objecting/appealing against a civil penalty – The costs to landlords who receive a civil penalty and successful object or appeal against the penalty have been quantified. Based upon appeal and objection rates for employer civil penalties, it is expected that 17 per cent of penalties will be successfully objected to and between 8 per cent of appeals will result in the penalty being cancelled. Appellants may also face a charge to appeal to a county court, estimated to be £235 in England and Wales and £87 in Scotland. It is thought that it will take a landlord between half an hour and 2 hours to complete an objection and between 1.5 hours and 3 hours for an appeal.

⁷ Shelter (2013) Letting Agencies: The price you pay

Table 6 – Cost of successful objections and appeals to landlords

Type of Landlord	Annual Volume of successful objections	Annual Volume of successful appeals	10 year cost (PV) £m
Individual Landlord	30	2	£0.007
Business Landlord	10	1	£0.003
Letting Agent	30	3	£0.008
Landlord of a Lodger	20	0	£0.001
Total	90	6	£0.019

Source: Home Office Analysis

Landlords – cost of incurring civil penalties – Landlords who are non compliant with the proposed policy will face additional costs through the imposition of civil penalties. The volume of penalties issued is set out in Table 3. It is assumed that all penalties issued in years 1 and 2 are category A penalties. The majority of those issued in year 3 onwards are assumed to be category A penalties (95 per cent) with the remainder being category B penalties. It is also assumed that the penalty applies to one illegal resident in around half of cases and two illegal residents in remaining cases as illegal residents are thought to be found in houses of multiple occupation. It is assumed that recovery rates are as those for employer civil penalties (57 per cent) for business and other organisation landlords and letting agents. Some firms choose to cease trading to evade penalties. This option is not available to individual landlords, so it is assumed that individual landlords and landlords of lodgers are compliant with the penalty issued. The total cost to all landlords is £6.5m (PV) over 10 years. This figure is not included in the NPV of this policy as it is incurred by those who are non compliant with the policy.

Table 7 – Cost of civil penalties

Type of Landlord	10 year cost (PV) £m
Individual Landlord	£ 2.7
Business Landlord	£ 1.1
Letting Agent	£ 0.2
Landlord of a Lodger	£ 2.8
Total	£ 6.8

Source: Home Office Analysis

Costs to the private sector – non monetised

Impact on landlords as a result of tenants' expiry of eligibility – There are unlikely to be additional costs to landlords as a result of individuals no longer being eligible for a tenancy. Landlords are not expected to lose revenue due to empty properties as the evidence shows that demand for private rented accommodation is growing and there continues to be imbalances between demand and supply in the housing market⁸. With demand exceeding supply, landlords should be able to find tenants relatively quickly to fill any properties that are vacant. However, there could be price effects, as demand falls rent are likely to decrease as well. It is not possible to quantify this impact due to a lack of data, but the net impact should be zero as it will be a transfer from landlords to legal renters.

Costs to the individuals – monetised

Individuals – additional fees payable to letting agent – As set out above, it is reasonable to assume that letting agents will at least pass on the costs associated with familiarisation and checks to prospective landlords and tenants. The central estimate assumes that letting agencies pass on 100 per cent of their costs to both tenants and landlords. The additional cost to tenants is estimated to be £17.9m (PV) over 10 years. The proportion of these fees that are incurred by people who are not formally resident in the UK (defined as those with settled status) is not known. Only costs to those formally settled in the UK should be included inline with the objective function set out on page 5. As the proportion is unknown, the total cost has been included.

Costs to the individuals – non monetised

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/11586/2204242.pdf

Individuals proving their residency status - UK and EEA nationals and those non EEA nationals who are in the UK lawfully will face an additional burden in proving their residency status to their landlord. This is likely to be negligible for the majority of tenants. The Census suggests that around 80 per cent of those in the private rented sector have a passport. The vast majority of those without a passport were born in the UK and are likely to be UK citizens. The list of documents that can be used to verify residency status is wide ranging and it is likely that the majority of those without a passport will not face an additional cost in acquiring documents. It is not possible to quantify any additional costs.

People who are illegally resident will face increased difficulty in renting property. Instead they are expected to either leave the UK or apply to regularise their stay. The volumes taking each route are unknown. There are also likely to be impacts on the hidden economy as a result.

Wider Impacts – non monetised

Increase in demand for emergency accommodation – Emergency, women’s and homeless shelters will be exempt from the provision to check residency status. However, they may face increased demand from people who are illegally resident otherwise made homeless by the proposal. It is not possible to quantify this risk.

Organisations providing advice on to citizens on housing and legal matters may be faced with additional demand for advice, e.g. from individual landlords who have been served with a notice of liability. It is not possible to quantify this risk.

Benefits

Direct Ongoing Benefits

Impacts on the public sector - monetised

This proposal will lead to a number of direct and indirect benefits to the public sector. The main direct benefits are around increased appeal fee income.

Public sector - Penalty income – The public sector will receive an income stream from civil penalties issued to landlords who are not compliant. As above, this is estimated at £6.8m (PV) over ten years. This will accrue to HM Treasury’ consolidated fund.

Letting agents – increase in turnover – As set out above, it is reasonable to assume that letting agents will at least recover the costs they incur from landlords and tenants. It is thought that letting agents will recover between 100 per cent and 300 per cent of their costs. The central estimated increase in turnover is £35.9m (PV) over 10 years.

Wider benefits – wider UK economy – non monetised

Reduction in illegal migration – the aim of the proposal is to encourage those in the UK without valid leave to depart the UK and deter others who intend to abuse the immigration system. Reducing the volume of people who are illegally resident in the UK will have benefits for the Home Office through a potential reduction in removal costs. The average cost of removing a person illegally present in the UK is £3,281.⁹ This should be viewed as an opportunity cost in terms of Home Office enforcement resources being freed for other activity which is likely to result in an increase in enforcement activity in other areas.

Measuring the movement and behaviour of the illegally resident is a complex challenge where the causes and effects of individual policies may have different impacts on different groups at different times according to their diverse circumstances. It is not possible to estimate the short term deterrent effect on those overseas who are contemplating attempting to enter the UK illegally or those in the UK who overstay their leave owing to the limited data that exists on the current illegal population.

⁹ In financial year 2011-12, the average cost to the UK Border Agency of each removal was £3,281. This has been calculated by dividing the total cost of our removal activity by the volume of removals in that financial year. The cost of unsuccessful attempts at removal is absorbed within this cost.

The non quantified impacts of reducing the illegal population include:

Savings in Public services

If there is a reduction in the volume of people who are illegally resident settling in the UK, through additional voluntary removals and deterrence of illegal migration, this could help reduce pressures on public services by reducing the volume of people eligible to utilize them. The Home Office estimates that a reduction in the level of people in the UK could save an average of £4,250 (See annex 4) per year in services such as healthcare, education and other public spending. It is thought that those here without legal residency status are as likely to access healthcare, education and transport services as other recently arrived migrants. Those without residency status in the UK are unlikely to be able to access welfare benefits.

A proportion of this figure is likely to be realised through opportunity costs, in that the reduction in use of public services by those encouraged to leave the UK will instead be utilised by other UK residents meaning actual cash savings may not be realised.

Employment opportunities for UK residents

If the proposal results in people who are illegally resident departing the UK, there may be benefits in terms of additional employment for UK residents if that migrant was gainfully employed in the UK labour market.

The independent Migration Advisory Committee's (MAC) January 2012¹⁰ report found that 100 additional non-EU migrants may cautiously be estimated to be associated with a reduction in employment of 23 native workers. It is assumed that the inverse of this finding is valid when the number of non EEA migrants is reduced.

The type of jobs that are likely to be replaced by UK residents is unknown. However, it is thought that those seeking to come to the UK illegally are likely to be found in the low skilled jobs in the lower half of the earnings distribution. It is also likely that a proportion of those employed may be employed in the shadow economy and not in legitimate jobs.

The impacts on the businesses employing migrants are not considered as they are employing people who are illegally resident and are therefore not compliant with the current law. However, the jobs affected are likely to be low skilled implying that there will be negligible costs involved in up-skilling and recruitment.

Housing Market

Those who are in the UK illegally add to the demand for housing, thereby putting pressure on rents – particularly in those areas of the country where there are already significant housing pressures. Reducing the volume of people who are illegally resident will ease these pressures. The proposal may also provide landlords with greater security against problem tenants – where those are illegally resident.

The proposed legislation is also likely to reinforce action against rogue landlords – those who flout health and safety legislation by offering over crowded accommodation or allowing illegal residents to occupy outhouses (also known as 'Beds in Sheds'). It is thought that the majority of landlords caught under the proposed legislation will be found through enforcement of the employment civil penalty regime. Where employees are caught working illegally, their home address will also be visited. This is expected to provide a credible threat to landlords acting outside the law. The proposed legislation will be backed by a civil penalty regime meaning that landlords who are found to be flouting the law will face a financial sanction. It is thought that this financial sanction, up to £3,000 for each tenancy agreement, may alter a landlord's incentive to comply with housing legislation. There will be a perceived threat of being caught at any time. It is not possible to quantify the scale of these impacts on the housing market.

Summary of costs and benefits

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

¹⁰ MAC (2012) [Analysis of the impacts of migration](http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/27-analysis-migration/). Available from <http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/27-analysis-migration/>

Table 8 – Summary of the costs and benefits

Summary of Costs and Benefits	10 yr impact (£m) PV
Costs	
<u>Set-up costs</u>	
1. Training and familiarisation costs - Home Office	£0.04
2. Home Office Enquiry Service Set up and maintenance	£0.0
3. Home Office IT Set up and maintenance	£0.0
4. Familiarisation costs - Landlords	£22.6
Total Set Up Costs	£22.6
<u>Ongoing costs</u>	
1. Home Office Staff Impacts	£7.5
2. Home Office Cost of Objections	£0.8
3. Home Office Cost of Appeals	£0.3
4. Assisted Voluntary Departures Costs - Home Office	£0.0
5. Cost to Landlords of Processing Checks	£36.5
6. Cost to Landlords of Reporting	£0.0
7. Appeal and Objection Costs for successful landlords	£0.02
8. Additional charges by letting agencies to cover costs	
Charges to Landlords by Letting Agencies	£18.2
Charges to Tenants by Letting Agencies	£18.2
9. Diary Input	£1.7
Total Ongoing Costs	£83.3
Total costs	£105.9
Benefits	
<u>Ongoing Benefits</u>	
1. Public sector income from penalties	£6.8
Reduced public service costs from departures	£0.0
Increased employment for UK residents	£0.0
2. Increased turnover for letting agents	£36.4
Total benefits	£43
Net present value	-£62.7

ONE-IN-TWO-OUT (OITO)

These measures count as a regulatory IN under OITO. The direct costs on business include the cost of landlords and letting agencies familiarising themselves with the proposals, as well as the costs associated with making checks on tenants. The costs of making appeals and objections are also included for those whose penalties are dismissed during these processes, as they have been found to be compliant with the legislation. The cost of appeals and objection are not included for those who have been found to be non compliant with the legislation. The total cost to business over 10 years is £47.3m. The net cost to business per year (EANCB) is estimated to be £4.54m.

Table 9 – Summary of Costs to Business

Type of Landlord	10 year cost (PV) £m
Individual Landlord	£22.8
Business Landlord	£8.3
Letting Agent	£18.4
Total	£49.4

Source: Home Office Analysis, numbers may not sum due to rounding

See Annex 1 for the small and micro business assessment.

Sensitivity Analysis

There are a number of uncertainties in the impact modelling and cost and benefit estimates set out above. The key assumptions are the length of time it takes landlords to familiarise themselves with the

changes and make checks on tenants and the value of a landlords time. In addition, the number of checks they will be required to make is key to the calculations. A number of the assumptions have been amended to take account of high and low impact scenarios to test the sensitivity of the cost benefits analysis. These are set out in annex 5. Table 10 sets the estimated costs and benefits under the high and low impact scenarios.

Table 10 – Summary of costs and benefits

Summary of Costs and Benefits	Low Summary	Central Summary	High Summary
	10 yr impact (£m) PV	10 yr impact (£m) PV	10 yr impact (£m) PV
Costs			
<u>Set-up costs</u>			
1. Training and familiarisation costs - Home Office	£0.04	£0.04	£0.04
2. Home Office Enquiry Service Set up and maintenance	£0.0	£0.0	£0.0
3. Home Office IT Set up and maintenance	£0.0	£0.0	£0.0
4. Familiarisation costs - Landlords	£6.5	£22.6	£54.8
Total Set Up Costs	£6.6	£22.6	£54.8
<u>Ongoing costs</u>			
1. Home Office Staff Impacts	£7.4	£7.5	£7.7
2. Home Office Cost of Objections	£0.4	£0.8	£1.6
3. Home Office Cost of Appeals	£0.1	£0.3	£0.7
4. Assisted Voluntary Departures Costs - Home Office	£0.0	£0.0	£0.0
5. Cost to Landlords of Processing Checks	£13.1	£36.5	£80.5
6. Cost to Landlords of Reporting	£0.0	£0.0	£0.0
7. Appeal and Objection Costs for successful landlords	£0.0	£0.0	£0.1
8. Additional charges by letting agencies to cover costs			
Charges to Landlords by Letting Agencies	£3.2	£18.2	£52.9
Charges to Tenants by Letting Agencies	£3.2	£18.2	£52.9
9. Diary Input	£0.7	£1.7	£5.2
Total Ongoing Costs	£28.0	£83.3	£201.7
Total costs	£34.6	£105.9	£256.5
Benefits			
Ongoing Benefits			
1. Cost to Landlords of Penalties	£3.7	£6.8	£13.4
2. Reduced public service costs from departures	£0.0	£0.0	£0.0
3. Increased employment for UK residents	£0.0	£0.0	£0.0
4. Increased turnover for letting agents	£6.4	£36.4	£105.9
Total benefits	£10	£43	£119
Net present value	-£25	-£63	-£137

F. Risks

Option 2

There are a number of risks under option 2; it is thought that these can be mitigated against.

People who are illegally resident unable to find private housing may become a charge on public funds

The aim of the policy is to encourage those who are in the UK illegally to leave. Those who wish to leave but are financially unable to do so will be assisted under existing immigration law. There is a risk that those who are in the UK illegally and will not cooperate in leaving the UK will be left at risk of homelessness. This will be mitigated wherever possible through existing and ongoing work where Home Office Immigration Enforcement works in partnership with local government and charities to combat destitution and to assist the reconnection of both foreign and EEA nationals with their home country.

People who are illegally resident may evade detection owing to lack of formal evidence of tenancy agreement.

It is recognised that there is a risk that people who are illegally resident who are unable to gain access to the formal housing economy may seek accommodation within the shadow housing market. The policy is designed also to reinforce action against landlords who offer exploitative and unsafe accommodation to people who are illegally resident and the scale of penalties has been set so as to provide the greatest penalties for such landlords.

Disproportionate penalties for landlords and agents may have perverse effects on the availability of housing for foreign nationals

The proposed scale of penalties is designed so as to reflect the realities of the private rented sector and the wide variations between low level informal rents and houses in multiple occupation. The scale of penalties together with the provision of advice and guidance to give landlords confidence that documentary requirements have been met, mitigates against the possible risk. Codes of Practice will be created to reflect the need to take into account a wide range of circumstances in determining whether a penalty is appropriate.

Heavier penalties may provoke discrimination against those perceived to be a higher risk based on an unfounded belief that the person may be a foreign national.

Legal migrants and landlords will be supported by the Home Office through on line guidance and advice services to minimise the risk that legal migrants might be viewed as a greater risk than prospective tenants from within the settled population. Migrants will be advised as to how to collate and present a package of appropriate documents that meets the requirements in advance of seeking accommodation. Landlords wishing to check that the requirements have been met will be supported through telephone advice.

UK citizens without ready access to paperwork may find it more difficult to obtain accommodation.

Landlords in the private rented sector routinely ask for documents to prove identity. Those without access to such paperwork will already face difficulties in accessing the private rented sector. This proposal will not change this.

Deterring Illegal Landlords

One of the policy objectives is to 'provide a deterrent to those who seek to exploit illegal residents by providing illegal and unsafe accommodation'. There is a risk that the policy changes may send some illegal immigrants into unregulated private accommodation, offered by landlords who do not declare themselves as landlords.

G. Enforcement

The policy introduces no new powers of entry or inspection. Enforcement of the legislation will be conducted, at the point of initial contact, by Home Office Immigration Enforcement officers as part of existing operational procedures.

H. Summary and Recommendations

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

Option	Costs	Benefits
2	£105.9m (PV over 10 years)	£43.2m (PV over 10 years)

Source: HO Analysis

The preferred option is option 2 – legislation to require landlords to make checks on a tenant's residency status and an associated prohibition on letting property to those in the UK illegally. The quantified costs exceed the quantified benefits; however, the policy is expected to increase the number of voluntary

departures from the UK meaning the benefits are expected to outweigh the costs. If the potential benefits in terms of savings in the delivery of public sector services and increased employment opportunities for UK residents are taken into account, then the policy would breakeven, with an NPV of zero, if an additional 300 people who would otherwise have remained in the UK indefinitely, leave the UK each year. This represents less than 0.1 per cent of the illegally resident population or an increase of 1 per cent in the volume of voluntary returns seen in 2012.

I. Implementation

The Immigration Bill is expected to obtain Royal Assent during 2014. We propose to fully implement the scheme outlined in this IA from October 2014.

J. Monitoring and Evaluation

The effectiveness of the new regime would be monitored by a Civil Penalties Unit to be operated by the Home Office. Data will be managed on existing Home Office data systems in accordance with DPA.

As stated in the rationale, this policy is part of a coordinated package of legislative and administrative measures that are designed to have the effect of reducing the attraction of the UK as a destination for people who are illegally resident and to encourage those that are here illegally to leave voluntarily. The policy objective will be delivered through the aggregate effect of these measures and the continued focus on improving the efficiency and capability of the Home Office's immigration enforcement function. The Home Office will monitor any changes to the volumes of voluntary returns and will fully review the implementation and operation of the policy after 2 years

K. Feedback

The Home Office will continue to work with DCLG to meet with housing market stakeholders already identified during the consultation process and will create focus groups of key organisations to evaluate impact on equality areas. The Home Office is also engaging with the devolved administrations.

Annex 1 - Small and Micro Business Assessment

A small and micro sized business assessment (SMBA) applies for all measures that come into force after 31 March 2014. The Immigration Bill is expected to gain royal assent during 2014 and the policy proposal assessed in this impact assessment is expected to come into force in October 2014.

The policy proposal is a legislative requirement for landlords – individual landlords, business landlords, letting agents and landlords of lodgers – to undertake a simple check on the residency status of new tenants. Landlords will be required to perform a document check to ensure the tenant has the right to be in the UK. Landlords who are found not to have complied with the legislation will face a civil penalty.

The main aim of the proposed requirement is to make it more difficult for people who are illegally resident to access privately rented housing in the UK and to encourage those who are in the UK illegally to leave the UK.

Current Practice

A significant proportion of landlords and letting agents are already familiar with the documents they will commonly encounter. Around 40 per cent of the landlords who responded to the public consultation already check a passport. A significant number also check other documents such as driving licences and bank statements.

The letting code of practice issued by the Property Ombudsman states that letting agents should diligently verify the identity and nationality of a prospective tenant and record this information. The Property Ombudsman covers around 10,000¹¹ letting agents (an estimated 65 per cent of the market) and the code of practice is compulsory for these agents. Letting agents are used by around 43 per cent of landlords.

The consultation responses and proportion of the market covered by the Property Ombudsman suggest that a significant number of landlords, the majority of which are micro or small sized organisations, already check passports as part of the letting process. Other documents which will satisfy the checking requirement include birth certificates, driving licences and biometric residence permits. This implies that the majority of landlords are already familiar with the documents they will be required to check and the additional burden will be small.

Businesses operating in the sector affected

Table A1.1 sets out the private rented sector proportionately by type of landlord¹². The majority of landlords within the private rented sector are private individuals (89 per cent). Of the remaining landlords, 5 per cent are businesses and 6 per cent are other types of organisation. Individual landlords account for 71 per cent of dwellings in the private rented sector.

Table A1.1 – Private rented sector by type of landlord

	Landlord Weighted	Dwelling Weighted
Private individuals	89	71.0
Companies	5	14.8
Other organisations	6	14.1
Total	100.0	100.0

Source: DCLG Private Landlords Survey 2010¹³

Numbers may not sum due to rounding

Business population estimates¹⁴ compiled by the Department for Business, Innovation and Skills (BIS) suggest that 94.9 per cent of businesses operating in the real estate sector are micro sized businesses, with fewer than 9 employees. 60 per cent of businesses have no employees and consist of sole

¹¹ Property Ombudsman estimate. Annual Report 2012 at http://www.tpos.co.uk/annual_reports.htm

¹² In addition to the formal rented sector, there are an estimated 950,000 people renting rooms to a lodger in the UK. These people are not assumed to be businesses and are not considered as part of the SMBA.

¹³ <https://www.gov.uk/government/publications/private-landlords-survey-2010>

¹⁴ <https://www.gov.uk/government/organisations/department-for-business-innovation-skills/series/business-population-estimates>

proprietorships and partnerships comprising only the self-employed owner-manager. A further 4.4 per cent of organisations operating in this sector are small businesses with between 10 and 49 employees. This means 99.3 per cent of business or other landlords are micro or small sized businesses. It is assumed that all individual landlords are micro sized businesses. These figures suggest that 99.9 per cent of private rented landlords are small or micro sized organisations. Similarly, 99.7 per cent of dwellings are rented by landlords who fall within the small and micro sized business sector.

The Home Office believe that these figures suggest that the objectives of the proposal, reducing the availability of accommodation for people who are illegally resident, cannot be delivered if micro and small businesses are exempt from the proposals. If the proposal only applied to medium and large businesses (0.1 per cent of landlords, 0.3 per cent of dwellings) people who are illegally resident are likely to be displaced away from the small sector of the market where the legislation would apply to other areas of the privately rented sector. The vast majority of both landlords and dwellings are let by micro sized organisations, implying that the objectives also could not be met if micro sized organisations were exempt.

Possible mitigations for small and micro sized businesses

The data presented above shows that the majority of landlords and dwellings in the private rented sector are micro and small businesses. The Home Office has considered possible mitigations aimed at reducing the impacts on landlords, while maintaining the intended benefits of the proposal. One of these is introducing the policy on a proportional basis. The following arrangements have been considered:

- **Geographical Basis – Introduce the proposal earlier in areas where people who are illegally resident are thought to live.** Illegal migration is, by its nature, hidden from official data. There is no official source of data which estimates the location of people who are illegally resident. Although various studies have estimated the total illegal population of the UK, around 618,000 people including children; none of these studies have estimated the geographical location of these migrants. If the Home Office were to introduce the policy on a geographical basis, it would risk applying to areas which do not have the greatest illegal migrant populations. There is also a risk of displacement of people who are illegally resident to other areas where the controls have not yet been introduced. As people who are illegally resident would still be able to find housing in the UK, the policy aims of encouraging people who are illegally resident in the UK to leave is unlikely to be met. As reasonable information on the location of people who are illegally resident does not exist, any implementation of this sort risks being seen as discriminatory.
- **Price basis – Introduce the proposal in the lower priced private rented accommodation.** It is thought that people who are illegally resident may be concentrated in the cheaper segment of the privately rented sector. However, there is little evidence to confirm this assertion. As above, the Home Office do not have good estimates of the location of type of accommodation people who are illegally resident are resident in. Applying the policy to rented properties in the lower part of the price distribution would risk encouraging landlords to push up prices to avoid their properties falling into the lower price bracket. This would have a negative impact on all tenants in these properties.
- **Types of accommodation - the proposal could be targeted at the types of accommodation where illegal migrants live, such as Houses in Multiple Occupation.** The Government's work on tackling rogue landlords, and in particular illegally occupied outhouses (also known as 'Beds in Sheds'), suggests that a high proportion of people living in the very worst privately rented accommodation (often unlicensed Houses in Multiple Occupation - HMOs) are migrants, and immigration enforcement operations against such properties have resulted in a number of arrests and removals of illegal migrants. One possibility would therefore be to limit the requirement for migration checks to HMOs, and to build this into the various HMO licensing regimes that exist in different parts of the United Kingdom. However, whilst the prevalence of illegal migrants may be relatively high in HMOs, there is a lack of robust data on this, and it is likely that limiting the proposals to HMOs would not target other types of accommodation where illegal migrants are also prevalent, or would divert them into other forms of accommodation not covered by the requirements (e.g. staying as lodgers). Furthermore, such an approach would not reach those HMOs which are either not licensable or operate illegally without a licence. The Government has therefore decided against an approach which is targeted on HMOs alone. Nonetheless, it is possible that local

authorities (or other licensing authorities outside England) will wish to take account of an HMO landlord's prior record of breaches under the proposed legislation in deciding whether a landlord is fit and proper to hold an HMO licence, and such an approach would help to reinforce compliance in the HMO sector alongside an approach covering the private rented sector as a whole.

All of the proportional types of introduction discussed above are thought to be ineffective. Applying the proposal partially across the private rented sector is likely to undermine its effectiveness. This proposal is aimed at reducing the number of people who are illegally resident in the UK and reducing the attractiveness of the UK to people who are illegally resident. Thus any attempt to apply in an incomplete manner will create loopholes and encourage the displacement of people who are illegally resident to other areas. In addition, the lack of reasonable information on the location of people who are illegally resident risks a partial implementation targeting incorrect areas or types of accommodation. For these reasons the proposal will be implemented for the whole private rented sector.

The Home Office has developed a number of mitigations to ease the burdens on landlords and letting agents. These are:

- **Simplified list of documents** – The checks the Home Office are requiring landlords to make take into account the nature of the sector and the volume of landlords affected. The checks are consequently light in nature and the simplified range of documents allows the checks to be easily delivered. Landlords are not expected to be experts in residency documents. In addition the Home Office extending the roll out of BRP's to those applying outside of the UK. This will enable simpler checks for a larger number of people.

Checks on non-EEA migrants will become considerably quicker and easier as the Home Office progresses with the roll-out of Biometric Residence Permits (BRPs). Over a million BRPs have been issued since 2008 to non-EEA nationals who have been granted permission to extend their stay in the UK. It is now the only form of immigration status document provided to this group. Roll-out to non-EEA overseas applicants coming to the UK for more than six months (who currently receive a visa in their passport) will take place in 2014. From 2014, the BRP will be the only document that will be issued to non-EEA nationals granted permission to stay in the UK for more than six months. Those without BRPs will be encouraged to apply for them. It is our intention to commence any provisions on landlord checks in tandem with the roll-out of BRPs as this would greatly simplify the process of establishing the right to rent for all parties. The BRP is a highly secure credit card sized immigration document containing the holder's facial image, biographic data, immigration status, date of expiry and entitlements or restrictions, including to benefits and work.

- **Not to be applied retrospectively** – The proposals will not be applied retrospectively. Where an illegal migrant is discovered in private rented accommodation but the landlord can prove the tenancy started in advance of the proposal being enacted, the landlord will not be liable for a civil penalty.
- **Civil Penalty** - The legislative proposals will be backed by a civil penalty regime for landlords who are found not to be compliant with the legislation. The Home Office plans to introduce a lower level of penalty for landlords who have not been found to be non compliant with the legislation in the previous three years. This means that the only landlords who receive the full penalty will be those who have flouted the legislation previously and have received an adequate warning signal. Those who make a mistake or accidentally fail to comply will face a lower level of penalty.
- **Transition period** – The legislative requirements will not be introduced until after the immigration Bill has received Royal Assent. This is expected to be during 2014 meaning the proposals will not be implemented until the second 2014 common commencement date – October 2014. This will give landlords around 12 months to become familiar with the legislation

In addition to the mitigations above, the policy may have some positive impacts on landlords. The proposals will give landlords, the vast majority of which are small or micro businesses, some security against people who are illegally resident leaving without notice. Smaller businesses may have fewer resources available to mitigate against poor rental outcomes.

Impacts on businesses

As set out in the impact assessment, the business net present value is -£49.4m over a ten year period. The annual cost to business (EANCB) is £4.7m. Table A1.2 sets out the costs to business by size of business, weighted by size of landlord. Business costs weighted by number of dwelling are not available.

Table A1.2 – Regulatory costs to business by size of business (£m 10 Year PV)

Type of Landlord	Micro	Small	Medium	Large
Individual	£ 22.77			
Business/Organisation	£ 7.85	£ 0.36	£ 0.04	£ 0.02
Letting Agent	£ 17.43	£ 0.81	£ 0.09	£ 0.04

Source: Home Office Analysis

Annex 2 – Summary of consultation responses

In July 2013, the Home Office launched a public consultation on proposals to address illegal immigration in privately rented accommodation. The consultation proposed that, in the future, private landlords would be required to check the immigration status of new tenants and would be subject to a penalty for rented accommodation for illegal migrants to live in as their main or only home.

Two options were considered in the consultation:

Option 1 – No change; and

Option 2 – New legislation to require immigration status checks before a landlord makes accommodation available, backed by civil penalties where landlords fail to do so.

Overview of responses

The proposals were met with a wide range of opinion which was captured within an on-line survey, written submissions and via face to face meetings with key groups.

The online survey attracted **1,362** responses (nine were emailed). Of those 96% that identified their status/interest 28% were landlords or letting agents, 29% were tenants or lodgers and 26% were interested members of the public. Twenty-four community groups and 31 Local Authorities completed the survey. 3% were legal advisors.

Of the 370 landlords and letting agents that completed the survey 34% rented just one property, 38% rented between 2-5 properties, 6% rented between 6-10 properties and 22% rented more than ten.

In addition, 105 written responses were received from organisations. The Government also held meetings with 24 organisations representing key sectors affected by the proposals – in particular, those representing landlords, letting agents, tenants, students and housing providers.

Decisions resulting from the consultation

The Government has carefully considered the response to the consultation and remains convinced of an urgent need for action to deter illegal migration and to safeguard the legitimate housing market. Additional pressure on housing stock **results in elevated rents not only for illegal migrants but all those seeking affordable accommodation within the local community.** The secondary effects of high migrant demand at the lower end of the private rental market are poor quality, overcrowded accommodation, inflated rents, and exploitation by unscrupulous landlords. In addition there is the spread of waste management and pest control issues and the proliferation of illegally occupied structures, including beds in sheds, which blight communities. The Government considers that private landlords have an important role to play in sharing the responsibility of identifying illegal migrants and helping to tackle the problems described and therefore intends to proceed with the policy. The proposals form part of the Immigration Bill which was introduced to Parliament in September 2013.

However, the Government has taken stock of the many important points raised by consultees and is grateful to all who responded to the consultation. Our original proposals have therefore been revised or refined to take account of points that were raised in association with the following broad issues:

a. Positive effects

Some who were in favour of the proposals cited advantages of more stringent checks?

- More likely to identify problem tenants;
- More likely to prevent misuse of the property;
- More likely to identify victims of abuse, e.g. child trafficking and domestic abuse.
- More likely to deter illegal structures.
- More likely to deter unregulated HMOs.

The Government agrees that the policy provides a means of combating problem tenants and that this is of huge benefit not only to landlords but to the wider community. Landlords already accept the need to clarify identity and references to safeguard their own interests and evidence of this has been provided by respondents in that only 19% of landlords do not conduct checks. The Government recognises the

possibility that the policy might assist in identifying the abuse of vulnerable people and agrees that the regulations may make it more difficult for traffickers to conceal the victims of trafficking within the community. The Government does believe that the policy will act to deter those letting illegal structures and will provide a further means of penalising those who do so.

b. Administrative burdens

The Government recognises the concern expressed by landlords and letting agents that the policy may impose additional burdens and costs. However, the experience of the well established existing scheme for employers of illegal workers strongly indicates that the checking regime need not represent a significant or costly administrative burden for landlords.

The Government accepts however that the housing and employment markets present different challenges and that the prevalence of smaller landlords requires a higher degree of official support. The consultation has informed our thinking on the requirements for the new support service which the Home Office will establish for landlords and tenants. This will be tailored to meet the needs of smaller landlords and the fast moving rental sector. It will include a general enquiry service for landlords requiring information about the new duty, a status checking service for migrants with outstanding immigration applications or appeals who need to evidence their continued legal right to live in the UK, and a “pre-documentation” service so migrants who plan to move accommodation can obtain the necessary confirmation of their status in advance and thereby ease the administrative duty on landlords.

The list of documents to be checked has been designed to ensure checks are as straightforward to perform as possible and takes account of the needs of the widest number of people who are entitled to be in the UK. The consultation has enabled us to revise the list to align it more closely to the needs of particular parts of the private housing sector and existing industry best practice. The range of documentation that will need to be checked under the new landlords scheme will be drastically simplified by the continued rollout of biometric residence permits, (BRPs), for non-EEA migrants granted permission to stay for more than 6 months.

The legislation will also avoid creating double regulation by exempting accommodation provided by employers or educational institutions that are already under a duty to conduct immigration status checks.

c. Vulnerable groups and homelessness

The Government recognises and shares the concerns expressed by respondents that the checking requirement may impact vulnerable groups and aggravate the problem of homelessness. The proposed checking requirement has been designed and revised in the light of the consultation to ensure that the list of documents includes documents held or obtainable by even the most vulnerable in our society, so the vast majority of those with the right to live in the UK can evidence their status without difficulty. The range of accommodation types exempt from the checking duty, such as homelessness hostels and accommodation provided under local authority powers has also been adjusted to reduce the risk of individuals facing homelessness.

d. Discrimination

The consultation gave a clear message that discrimination against foreign born tenants is unacceptable. Particular concern was raised that the regulations would result in discrimination motivated not because of overt prejudice but because of administrative convenience where some people are more likely than others to have readily available documentation. The Government is equally concerned to address the risk that the new checking duty will result in unlawful discrimination.

The legislation will include provision for a statutory non-discrimination code providing clear guidance on the steps landlords must follow to avoid unlawful discrimination, which may be taken into account by tribunals considering claims of unlawful discrimination. In addition, the Government will put into place administrative support and guidance for landlords and will continue to work across the sector to embed the new procedures and raise confidence among landlords that they can continue to provide accommodation without risk.

The Government believes that any added administrative burden can be mitigated by supporting prospective tenants to satisfy the evidence requirement at the point at which they apply for tenancies.

Prospective tenants will be assisted and guided in creating their own evidence pack to meet the requirements so that the duty on landlords will be minimised.

Annex 3 - Landlords Evidence

This annex sets out the available information on the size of the population affected by the proposed policy change. It covers the size of the population, the volume of privately renting tenants, the volumes of landlords with privately rented properties and the size of the illegal population resident in the UK.

1. Population

The 2011 census suggests that 63.2 million people are resident in the UK. Table A3.1 sets out how many are resident in each country of the UK.

Table A3.1 – Population size

Country	UK	England	Wales	NI	Scotland
Population	63,182,000	53,012,000	3,063,000	1,811,000	5,295,000

Source: 2011 Census, Office for National Statistics (ONS)

Residents of any nationality will have to prove they are legitimate residents of the UK when privately renting residential accommodation. Table A2.2 sets out the size of the UK population, by nationality. Figures for Scotland are estimates based on the proportion of nationals in the rest of the UK as census data is not yet available. It should also be noted that almost all of those with no passport (97 per cent) were born in the UK. Those who were born in the UK and EU, but do not have a passport, are assumed to be legitimate UK residents. Those who are nationals of non EU countries and who arrived in the UK more than 10 years ago are also assumed to be resident in the UK.

Table A3.2 – Population by nationality

Country	UK	England	Wales	NI	Scotland	% under 18
Total	63,182,000	53,012,000	3,063,000	1,811,000	5,295,000	21%
UK National	47,507,000	40,174,000	2,282,000	1,070,000	3,981,000	19%
EU National	2,866,000	2,199,000	51,000	376,000	240,000	18%
Other National - Settled	738,000	654,000	15,000	7,000	62,000	14%
Other National - Non Settled	1,371,000	1,214,000	28,000	14,000	115,000	14%
No Passport - EU Born	10,549,000	8,650,000	678,000	337,000	884,000	32%
No Passport - Non EU Born	146,000	120,000	9,000	5,000	12,000	32%

Source: 2011 Census, ONS, Northern Ireland Statistics and Research Agency (NISRA)

There is a comprehensive list of documents which will allow people to meet these requirements. If a migrant holds a Biometric Residence Permit (BRP) this would help them meet the requirements of the proposed checks. A BRP is a highly secure credit card sized immigration document containing the holder's facial image, biographic data, immigration status, date of expiry and entitlements or restrictions, including to benefits and work. A large number of migrants in the UK have BRPs, it is estimated that there are over 1 million BRP's in circulation. This implies that around 50 per cent of non EEA nationals in the UK already have a BRP.

2. Tenants

Volume of tenants

Data from the 2011 Census (E&W) provides a breakdown of housing tenure for EU nationals, non-EU nationals and those with no passport, as shown in Table A2.3. It does not include those living in communal establishments¹⁵. The proportions in table A2.3 are assumed to hold for Scotland and Northern Ireland.

Table A3.3 shows that non-EU nationals are much more likely to live in privately rented accommodation (56 per cent) compared to UK nationals (14 per cent) and those with no passport (18 per cent). However, these proportions vary considerably depending on the migrant's length of stay (see below). Some foreign nationals may be living in households where the head of the household and main renter is a British citizen.

¹⁵ Communal establishments include student halls of residence, prisons, schools and homeless shelters. These establishments will be exempt and thus are excluded from the analysis.

Table A3.3: Housing tenure for UK and foreign nationals, 2011

Tenure	All	UK	EU	Non EU	No Passport held
Owned	66%	73%	34%	32%	48%
Social rented	16%	13%	12%	12%	34%
Private Rented	18%	14%	54%	56%	18%
Letting agent or landlord	15%	12%	51%	50%	15%
Other or rent free	3%	2%	3%	5%	3%

Table Source: 2011 Census, Office for National Statistics.

Applying the proportions in table A3.3 to the total volume of adults in the UK (Table A3.2) suggests that there are 8.7m privately renting adults in the UK. (Table A3.4) These individuals will be affected by the proposed policy.

Table A3.4: Housing tenure for UK and foreign nationals age 18+, 2011

Tenure - Population	All	UK	EU	Non EU - settled	Non EU - non settled	No Passport held - EU	No Passport held - Non EU
Owned	32,282,000	27,702,000	690,000	464,000	95,000	3,285,000	46,000
Social rented	7,771,000	4,936,000	248,000	154,000	65,000	2,335,000	33,000
Private Rented	8,781,000	5,457,000	1,104,000	289,000	693,000	1,221,000	17,000
Letting agent or landlord	7,551,000	4,580,000	1,042,000	262,000	626,000	1,027,000	14,000
Other or rent free	1,221,000	877,000	62,000	25,000	60,000	194,000	3,000

Table Source: 2011 Census, Office for National Statistics.

Census data suggests that in England and Wales, 597,000 people live rent free and are outside of the scope of this policy.¹⁶ Those in 'other' types of privately rented accommodation largely comprise of accommodation let by employers or relatives. Those in accommodation let by their employer are exempt as the employer will have conducted checks on their ability to work in the UK. It is assumed that those living in 'other' private rented accommodation are living at home with their parents. This impact assessment will focus on the impacts on those renting through a landlord or letting agent – an estimated 7.5m people.

Length of tenure

Evidence on length of tenure, and thus the frequency of new tenancy agreements, is relevant to consider the potential impact on landlords. The English Housing Survey found that around a third (32 per cent) of private renters had lived in their homes for less than one year, compared with only three per cent of owner occupiers and nine per cent of social renters.¹⁷ Data on the length of tenure is not available for Scotland, Wales or Northern Ireland. Thus it is assumed that tenure is as in England.

English Housing Survey's for the two previous years also suggest that the proportion of new households each year were around one third (33 per cent average over three years) which suggests this is a reasonable estimate for the proportion of new households each year. It is assumed that checks on UK residents (UK nationals, EU nationals, settled non EU nationals and those without a passport who were born in the EU) will only take place once during each tenancy. For non UK residents (Non EU nationals without settled status and those without a passport who were born outside of the EU) checks are assumed to take place annually. This is tested in the sensitivity analysis. Table A3.5 sets out the central estimate of the number of households likely to require residency checks each year.

¹⁶ <http://www.nomisweb.co.uk/census/2011/KS402EW/view/2092957703>

¹⁷ See Table 5: Length of residence in current home by tenure, 2011-12, page 20 at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/88370/EHS_Headline_Report_2011-2012.pdf.

Table A3.5: Estimated number of individuals requiring checks each year

Tenure - UK	All	UK	EU	Non EU - settled	Non EU - non settled	No Passport - EU	No Passport - Non EU
Letting agent or landlord	2,939,000	1,524,000	347,000	87,000	626,000	342,000	14,000

Table Source: 2011 Census, Office for National Statistics. English Household Survey 2011-12. Home Office Analysis

Households with lodgers

One widely-cited source on the estimated number of households with lodgers is polling research undertaken the LV insurance company. Reporting of this research in 2012, found that '950,000 homeowners are renting out spare rooms in their houses'¹⁸ (Derived from 2,000 interviews). It is assumed that the same proportion of lodgers will move each year and the same proportion of tenants will require more frequent checks as households, implying that 475,000 lodgers will face checks each year.

Residency status and housing

Research for the Housing and Migration Network indicates that most new migrants are housed in the private rental sector. This research highlights the flexibility and ease of access to this sector, relative to alternatives of social rented and owner-occupied housing as drivers of this trend, coupled with new migrants' economic circumstances and understanding of the UK housing market. Given that the same kind of factors will also apply to people who are illegally resident, it seems reasonable to surmise that they are also likely to be concentrated in the private rented sector, particularly as social housing is not available to them.

Home Office analysis of Annual Population Survey data is reflected in Table A2.6 below, indicating that the proportion of migrants with private sector tenancy decreases the longer the migrants remain in the country. The data also indicates that long-term migrants gradually move towards a tenure distribution similar to that of their UK born counterparts (i.e. 72 per cent of those people born abroad who had been resident for more than 21 years are owner occupiers, compared to the 73 per cent quoted above for the UK born population).

Table A3.6: Length of stay and housing tenure for UK residents born abroad

Time lived in UK (years)	Owner occupied	Private rented sector	Social housing
1	8%	85%	7%
2	9%	83%	8%
3 to 5	15%	72%	13%
6 to 10	31%	51%	18%
11 to 20	47%	27%	26%
21 to 50	72%	11%	17%

Source: ONS, Annual Population Survey (APS), July 2011-June 2012 (Home Office internal analysis)

Table A3.6 implies that the policy will cover the majority of migrants living in the UK during the initial part of their stay. This will provide a greater opportunity to enforce early removal action against people who are illegally resident.

3. Volumes of private landlords and properties held

Landlord volumes and portfolios

The England Private Landlord Survey 2010¹⁹ estimated that there were 1.464 million landlords in England. Scotland has a mandatory Landlord Registration Scheme, which aims to ensure that all landlords are fit and proper to let property. As of 2011, 175,000 landlords had registered in Scotland.²⁰

¹⁸ 'Number of homeowners taking in lodgers doubles' (11 October 2012) at

<http://www.telegraph.co.uk/news/uknews/9599656/Number-of-homeowners-taking-in-lodgers-doubles.html>.

¹⁹ *Private Landlords Survey 2010*, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7250/2010393.xls.

²⁰ Scottish Government (2011) *Evaluation of the Impact and Operation of Landlord Registration in Scotland* Available from: <http://www.scotland.gov.uk/Resource/Doc/353982/0119289.pdf> (accessed 26 July 2013).

Table A5 sets out an estimate for the total number of landlords in the UK based on the size of the population in each country, as set out in table A2.1.

Table A3.7 – Estimated number of landlords

	Total Landlords	Individuals	Businesses	Other
England	1,464,000	1,306,000	76,000	82,000
Wales	86,000	77,000	4,000	5,000
Scotland	175,000	156,000	9,000	10,000
NI	51,000	45,000	3,000	3,000
Total	1,776,000	1,584,000	93,000	100,000

Table Source: 2011 Census, Office for National Statistics. Home Office Analysis.

The England Private Landlord Survey 2010 also provides details of the proportion of properties held shown in Table A3.8. It is assumed that these proportions hold for Wales, Scotland and Northern Ireland.

Table A3.8 – Properties held by Landlords (weighted by dwellings)

	Landlord Weighted (%)	Dwelling Weighted (%)
Private individuals	89	71
Companies	5	15
Other organisations	6	14
Total	100	100

Source: England Private Landlord Survey 2010

Use of letting agents and agency fees

The England Private Landlord Survey 2010²¹ found that 43 per cent of landlords have hired agents to undertake the letting and management of their properties.

Market research with landlords (BDRC Continental's Landlords Panel, 2013²²) found that around 7.3 per cent of landlords' letting income goes to cover letting agency provision. This varies according to location, portfolio size and the range of services being purchased.

Number of checks required each year

The data set out above on the number of individuals likely to require checks each year (Table A3.5), the number of lodgers and the proportion of dwellings owned by landlords (Table A3.6) allows the calculation of the number of checks required each year by type of landlord. It is assumed that individual and business landlords are equally likely to employ the services of a letting agent. Table A3.7 sets out the volume of checks each type of landlord will need to undertake each year by nationality of tenant.

Table A3.9 – Volume of checks required each year by type of landlord and nationality of tenant

Type of Landlord	UK nationals	EU Nationals	Other national - Settled	Other national - Not settled	No passport - EU Born	No passport - Non EU Born
Individual Landlord	617,000	140,000	119,000	359,000	140,000	421,000
Business or Other Landlord	252,000	57,000	49,000	146,000	57,000	172,000
Letting Agent	655,000	149,000	127,000	381,000	149,000	448,000
Landlord of a Lodger	241,000	13,000	10,000	157,000	52,000	2,000
Total	1,765,000	359,000	305,000	1,043,000	398,000	1,043,000

Source: Home Office Analysis

²¹ Private Landlords Survey 2010, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7250/2010393.xls.

²² Recent findings from BDRC Continentals' Landlords Panel at <http://www.bdrcc-continental.com/media-centre/landlords-panel-on-use-of-lettings-agencies/>.

4. Short-term residents and visitors potentially affected by proposed changes

Short-term residents

The 2011 Census defined a 'short-term resident' (STR) as anyone living in England and Wales who was born outside the UK and who intended to stay in the UK for a period of between 3 and 12 months for any reason.

The 2011 Census recorded 195,000 non-UK born STRs in England and Wales. Table A2.8 shows this group broken down by passports held. Full-time students accounted for over half (55 per cent) of all non-UK born STRs aged 16 and over in 2011.

Table A3.10: Non-UK born short-term residents by passports held

EU nationals		Non-EU nationals		No passport	
Thousands	Per cent	Thousands	Per cent	Thousands	Per cent
77,155	40	112,425	58	5,494	3

Table Source: 2011 Census, Office for National Statistics.²³

Visitors

The International Passenger Survey gives an estimate of the number of visitors to the UK who stayed for longer than 28 nights. Those staying in the same accommodation for more than three months will be affected by the policy proposal. The numbers affected are thought to be minimal.

Of 31,084,000 visitors in 2012, 1,781,000 (4 per cent of all visitors) stayed for 28 nights or more. The numbers staying for more than three months are not known. Of those staying for more than 14 nights, the largest proportion (47 per cent) were visiting family and friends and may be more likely to stay with those they are visiting and so not require checks. This IA assumes that the volumes affected by the proposed checks are negligible.

5. Illegal population

Reasons why people may not have legal residency status may include unauthorised entry to the UK, overstaying visas, breaching conditions of leave to remain and refusal of asylum.

The routinely published statistics provide annual and quarterly data on enforced removals from the UK and those refused entry at port and subsequently deported.²⁴ This data covers only those irregular migrants who are known to the authorities, but irregular migration is often hidden by nature.

The estimates of the UK irregular migrant population have used what is known as the 'residual method.' This approach was used in Home Office research²⁵ which created an estimate by deducting the estimated legally resident foreign-born population from the total number of foreign-born people recorded by the 2001 Census. The difference between the two produced a central estimate of 430,000 irregular migrants in the UK in 2001 (with a range of 310,000 to 570,000).

A more recent study by the London School of Economics²⁶ was based on the same methodology, but incorporated estimates of changes since 2001. These included the continued arrival of asylum seekers, reduction of the asylum backlog, people who are illegally resident entering and leaving the country, other migrants overstaying and the regularisation of migrants from EU accession countries. The LSE estimate also differs from the Home Office estimate in including UK-born children of irregular migrants. These adjustments produced a central estimate of 618,000 irregular migrants living in the UK at the end of 2007

²³ 2011 Census, *Short-term Residents for Local Authorities in England and Wales*, Data from Table AP1202EW2011: *Passports held (detailed) (non-UK born short-term residents), local authorities in England and Wales*, at <http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcm%3A77-301981>.

²⁴ See *Immigration Statistics - January to March 2013, Removals and Voluntary Departures*, at <https://www.gov.uk/government/publications/tables-for-immigration-statistics-january-to-march-2013>.

²⁵ See J Woodbridge (2005), *Sizing the Unauthorized (Illegal) Migrant Population in the United Kingdom in 2001*, London: Home Office.

²⁶ See I Gordon, K Scanlon, T Travers and C Whitehead (2009), *Economic Impact on the London and UK Economy of an Earned Regularisation of Irregular Migrants to the UK*, at http://www.london.gov.uk/mayor/economic_unit/docs/irregular-migrants-report.pdf.

(range of 417,000 to 863,000). As with the earlier Home Office estimate, the ranges around the central figure are very wide reflecting the difficulty in estimating the size of this particular sub-population.

The 2012 COMPAS (ESRC Centre on Migration, Policy and Society)²⁷ report on illegal migrant children and their families estimated that there were 120,000 children illegally in the UK – subtracting this from the central estimate of 618,000 people who are illegally resident in the UK gives an estimate of around 500,000 people who are illegally resident over the age of 18.

A recent review of irregular migration concluded that the Home Office and LSE studies provide the most robust estimates of the UK irregular migrant population, but notes that neither includes migrants who have breached their leave conditions (for example, through working or working longer hours than those permitted under their visa). It also comments on the difficulty of updating estimates based on the ten-yearly Census.²⁸ Another limitation of the residual method, noted by the Migration Observatory, is that it may incorporate an unknown 'residual of the residual' that is an unknown number of falsely recorded or unrecorded people.²⁹

²⁷ See N. Sigona and V Hughes (2012), *No Way Out, No Way In: Irregular Migrant Children and Families in the UK*, at http://www.compas.ox.ac.uk/fileadmin/files/Publications/Reports/NO_WAY_OUT_NO_WAY_IN_FINAL.pdf

²⁸ See H Toms and K Thorpe (2012), *Practical Measures for Reducing Irregular Migration*, at emn.intrasoft-intl.com/Downloads/download.do?fileID=2909.

²⁹ See B Vollmer (2011), *Irregular Migration in the UK: Definitions, Pathways and Scale* (Migration Observatory Briefing), at http://www.migrationobservatory.ox.ac.uk/sites/files/migobs/Briefing%20-%20Irregular%20Migration_0.pdf.

Annex 4 - Impact on Public Services

Home Office impact assessments have previously attempted to estimate the impact of migrants on health, education, criminal justice and welfare benefits using a bottom up approach which aims to identify consumption of specific services. However, these estimates present only a partial picture of the impacts and may be biased in that unidentified consumption may substantially alter the picture. For this reason a top down approach, which aims to allocate all public spending to each person in the UK, is preferred. This annex sets out the preferred approach, which aims to estimate the impact on public services a change in the number of migrants arriving or remaining in the UK. This figure can be used to quantify the change in migration in impact assessments (IAs).

Allocation of Public Expenditure

A top down approach to allocating public spending to individuals assumes that consumption is broadly similar for all individuals included in the calculation. This approach has been documented in the relevant literature. (Glover et al, 2000 and NIESR, 2011) HM Treasury document total levels of public spending (total managed expenditure (TME)) in the Public Expenditure Statistical Analyses (PESA) 2011. This documents the total level of public spending categorised into the following categories of function of government spend:

- general public services
- defence
- public order and safety
- economic affairs
- environment protection
- housing and community amenities
- health
- education
- social protection
- EU transactions.

Simple calculation

This allows public expenditure to be allocated to each individual in the UK. The analysis assumed 62.3 million individuals in the UK, from the ONS statistical bulletin of National population projections (2011). Per head costs are calculated as being the sum of total spending on each element of public services, divided by the total UK population, and does not vary across characteristics or groups. This method gives an estimated spend per person, including children, in the UK of £11,300 per person.

Public Goods

However, this figure includes public goods which means it may not be reasonable to assume that excluding a migrant from the UK could have a marginal impact of £11,300 on public finances. Instead it is sensible to exclude costs associated with public goods, as the cost of extending or removing coverage to one additional migrant is zero as public goods are not attributable to any one individual in the population.

Public goods are defined as non-rival and non-excludable. To be non-rival it must be that the consumption of a good by one individual does not reduce the ability of others to consume that good. A non-excludable good means that once the good is provided it is impossible for any individual to opt out. An example of a public good may be national defence. Once national defence is provided for the country an individual is unable to opt out of it. Whether they wish to be defended or not, they will be defended as it is not possible to protect the country without also protecting everyone in it. However it is also true that one individual who receives the protection of national defence, does not reduce the defence of others. Thus the good is non-rival and non-excludable.

The characteristics of a public good mean that the marginal cost of providing the good to one additional person is zero. As such it is sometimes debated that the cost of that good, which is attributable to a single individual, should also be zero. For this reason estimate B in table 1 provides the estimated cost of public spending per person excluding those goods deemed to be public goods. The excluded spending includes items such as general public spending, research and development, defence, pollution and other environmental spending, and street lighting.

In addition to excluding these public goods, spending on public debt transactions and EU payments have also been excluded. This is because these are obligations which cannot be opted out of and are not always directly attributable to the current population. Thus on a similar principle to a public good they are not incurred on a per person basis and would not be affected by one additional migrant. Removing these categories reduces the average impact of a marginal individual in the UK to £9,100 per year. However, this does not control for differing characteristics of migrants and how these characteristics may affect use of public services.

The exclusion of public goods from the cost calculation is one that could be contested. It is possible to suggest that the migrant population in total is non-marginal and therefore the costs of migrants as a whole are not zero. However, as the IA approach is to estimate the impact of a marginal change in migrant volumes, the use of a zero marginal cost would be more appropriate. Similarly some previous methods have not excluded debt transactions, or have only excluded part of them. The reasoning in these methods is that there is still some benefit gained from the large infrastructure projects that incurred the debt. However, this is complex to calculate the remaining benefit and apportion the debt payments appropriately and it is doubtful whether the presence of migrants per se has affected the demand for such capital investment, so debt transactions have been excluded.

Welfare and Benefits

Allocating public expenditure to the individuals in the population includes welfare and benefit expenditure. However, most migrants will not be eligible to claim welfare and benefits until they have been in the UK for at least five years and they have formally been granted settlement in the UK. For this reason it is prudent to exclude welfare and benefit expenditure for migrants who have been in the UK for less than five years and who will not be eligible to claim. Estimate C in table 1 provides an estimated cost per person excluding public goods and welfare of £5,800 per person. For migrants who have been in the UK longer than five years and have settled here, welfare expenditure should be included, meaning estimate B is more appropriate.

Wider Services

This approach assumes that consumption is the same for all individuals. However, migrants and the native population are unlikely to be a homogenous group with identical patterns of consumption. Consumption is likely to vary by age, gender, family composition and other factors such as income and ethnicity. The recent report on the impacts of migration by the Migration Advisory Committee (2012) has presented new evidence on the social impacts of migration. The MAC commissioned NIESR to provide top down estimates on health, education and social services expenditure for different migrant groups.

Given that health, education and social services expenditure figures which take these characteristics into account are available, we have excluded these from our simple estimate. This gives two estimates of general public expenditure. Estimate D of £1,400 per person, which excludes public goods and welfare expenditure as well as health, education and social services expenditure and estimate E of £4,700 per person, which includes welfare and benefit expenditure while excluding public goods, health, education and social services. These wider estimates should be added to the estimates of health, education and social services expenditure which have been adjusted to account for age and other characteristics of specific migrant groups.

Table 1: Summary of the per head cost of public services consumed by a migrant

		£
A	Total spend per capita	11,200
B	Total excluding public goods	9,100
C	Total excluding public goods and welfare	5,800
D	Total excluding public goods, welfare, health, education & social services	1,400
E	Total excluding public goods, health, education & social services	4,700

Source: based on National Population Projections 2010-based Statistical Bulletin, ONS, (2011) and Public Expenditure Statistical Analyses (PESA), HM Treasury, Table 5.2, (2011).

NIESR (2011) were commissioned to provide an estimate of migrants' consumption of education, health and social service. Estimates have been produced for all migrants, defined as those born outside of the UK, according to their key characteristics, on the assumption that age is the most powerful characteristic that drives consumption of public expenditure. NIESR estimated the proportion of the population that are migrants in each of the migrant groups of interest using the Annual Population Survey (APS). The APS identifies families, including children living at home. For some migrant groups, NIESR have given a narrow and broad definition³⁰ which will allow the creation of a range of costs for each type of migrant.

The population estimates were combined with PESA data for 2009/10 to estimate consumption per individual. These figures have been uplifted to 2011/12 prices using the change in public expenditure since 2009/10. These estimates can be added to the wider estimates (D and E) described above to give an overall estimate for cost to the public services per migrant in the UK.

Health

The evidence in the literature concludes that migrants in general are unlikely to pose a disproportionate burden on health services. There is strong evidence for lower impacts for Tier 1 and 2 work migrants, who are generally young and healthy. Expenditure on healthcare is much higher for elderly adults. NIESR base their estimates on the proportion of migrants and non migrants in the population, their gender and age, meaning estimates for migrants are lower than those for the non migrant population.

Education

The literature is unclear on the impact of migration on the provision of education. The main negative impacts concern children with poor English language skills and pupils arriving or leaving mid year. On the other hand, there is evidence of a positive relationship between children with English as an additional language and attainment. These views are supported by Home Office research². These data suggest that consumption exceeds non migrant groups for some migrants groups. This is the case for economic migrants, primarily due to larger family sizes, but not for Tier 4 migrants due to low volumes of accompanying children.

Social Services

There is little evidence on migrants' use of social services, and most skilled migrants and students will be unlikely to make many demands. This would not be the case for family migrants, from poorer backgrounds, or asylum seekers necessarily, although evidence suggests there is a lack of awareness and thus use amongst these groups. However, demand may increase over time. Estimates have been adjusted by the age of migrant groups and suggest that on average use of social services by the migrant population is much lower than for non migrants.

Table 3 sets out the overall costs for public service consumption used in this IA. These consist of the values suggested by NIESR for health, education and social services expenditure uplifted to 2011/12 prices and estimate D or E given in Table 1. Estimate E is used for the maximum estimate as it is appropriate to include welfare payments for those who are settled in the UK. Estimate D, excluding welfare payments, is used for the lower estimates.

Table 3 – Aggregate costs for health, education and social services.

	£ per head - Min	£ per head - Max
Whole population	5,190	8,490
Non-migrants	5,240	8,540
All migrants	5,050	8,350
Migrant arriving in the last 5 years	4,250	4,250

(PESA), HM Treasury, Table 5.2, (2009). Uplifted to 2011/12 prices.

The values in table 3 can be used to quantify the impacts on public expenditure of marginal changes in the level of migrants arriving or remaining in the UK. Over the medium to long-run, it is expected that the migrant's pattern of consumption of service will converge to that of a UK resident.

³⁰ In the narrow definitions, migrants are included if they cannot be included in any other group. For example, economic migrants includes those working in the UK but only if they are not as full time student or if their partner's status could not allow them to work. The broad definition includes all migrants who may be in each category. For example, all employed migrants are treated as economic migrants regardless of their student or partner's status.

Annex 5 – Key Assumptions

Assumption	Low	Central	High	Source
Set up Costs				
Familiarisation costs - Landlords				
Time Required (hours)	0.50	1.00	2.00	Assumption based on guidance that will be issued.
Hourly wage - Individual or lodger landlord	£ 6.35	£ 7.93	£ 9.52	Private Landlord Survey 2010 (median income for landlords) Range of 20% either side
Hourly Wage - Business landlord	£ 8.80	£ 10.07	£ 13.62	ASHE Administrative Staff 2012, 25%, 50% and 75% percentile
Hourly Wage - Letting Agent	£ 9.42	£ 11.75	£ 12.29	ASHE Estate Agent 2012 25%, 50% and 75% percentile
Volumes - Individual Landlord	903,000	1,583,700	1,583,700	Private Landlord Survey 2010, Census 2011
Volumes - Lodger Landlord	950,000	950,000	950,000	LV Insurance Survey
Volumes - Business Landlord	110,000	192,300	192,300	Private Landlord Survey 2010, Census 2011
Volumes - Letting Agent	15,000	15,000	15,000	The Property Ombudsman Annual Report 2012
Ongoing Costs				
Home Office Cost of Objections				
Volume of objections	260	510	1000	Home Office Assumption based on proportion of objection received against employer penalties over last 5 years, last 2 years and last year.
Home Office Cost of Appeals				
Volume of appeals	20	70	150	Home Office Assumption based on 50% proportion of appeals received against employer penalties over last year, appeal received in last year and last 2 years.
Cost to Landlords of Processing Checks				
Frequency of checks for non EU nationals	2 per year	1 per year	Every 2 years	Home Office Assumption
Volume of checks - Individual landlord	566,000	626,000	746,000	Private Landlord Survey 2010, Census 2011, Home Office Assumptions
Volume of checks - Business landlord	231,000	255,000	304,000	Private Landlord Survey 2010, Census 2011, Home Office Assumptions
Volume of checks - Lodger landlord	395,000	475,000	634,000	LV Insurance Survey, Home Office Assumptions
Volume of checks - Letting Agent	601,000	665,000	792,000	The Property Ombudsman Annual Report 2012, Census 2010
Time per check - UK/EU national (mins)	2	5	10	Home Office Assumption
Time per check - Non EU national (mins)	5	10	20	Home Office Assumption

Time per check - no passport (mins)	10	20	30	Home Office Assumption
Additional charges by letting agencies to cover costs				
Recovery of costs to landlord	50.00%	100.00%	150.00%	Home Office Assumption
Recovery of costs to tenant	50.00%	100.00%	150.00%	Home Office Assumption

Benefits				
Public sector income from penalties				
Volume of penalties	510	830	1380	Home Office Assumption
Proportion of category A penalties	100%	100%	100%	Home Office Assumption
Proportion of category B penalties	100%	95%	90%	Home Office Assumption