EXPLANATORY MEMORANDUM TO

THE IMMIGRATION AND NATIONALITY (FEES) REGULATIONS 2007

2007 No.

1. This explanatory memorandum has been prepared by the Home Office and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Description

2.1 These Regulations specify the fees for some of the applications and services specified in the Immigration and Nationality (Fees) Order 2007 (S.I. 2007/807) and provide for exceptions in respect of such fees.

2.2 The Regulations also set out the consequences of failing to pay the specified fees

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 These regulations specify fees in respect of certain of those matters specified in the Immigration and Nationality (Fees) Order 2007, S.I. 2007/807 ('the 2007 Order'). The fees specified in these regulations are in respect of those matters which the Secretary of State wishes to over-cost charge for, relying on section 42(1) of the Asylum and Immigration (Treatment of Claimants, etc.) Act 2004 ('the 2004 Act'). Fees for the other matters specified in the 2007 Order will be specified in other regulations which are subject to annulment in pursuance of a resolution of either House of Parliament. A draft of these regulations must by virtue of section 42(7) of the 2004 Act be laid before and approved by a resolution of each House of Parliament.

3.2 This is the first time that the Secretary of State has exercised his power under section 51(3) of the Immigration, Asylum and Nationality Act 2006 ('the 2006 Act') to specify fees for those matters specified in the 2007 Order. However the Secretary of State in seeking to exercise this power for the first time is only seeking to specify fees in respect of matters which he currently charges for.

3.3 In addition this is the first time that the Secretary of State in prescribing a fee for such matters has sought to rely on the section 42(1) of the 2004 Act power to over-cost charge.

3.4 These regulations impose fee increases above the administrative cost of providing a service in line with the Government's new charging regime model. By charging above the administrative costs of the service on the application types

referred to in this instrument the Home Office is able to set fees for other more price sensitive application types at or below cost recovery.

3.5 The table below sets out the current fee levels and the new proposed fees in these Regulations:

Application Type	Current Fee (£)	New Fee (£)
Indefinite Leave to Remain	335	750
Indefinite Leave to Remain Premium	500	950
Nationality – Naturalisation	200	575
Nationality – Adult Registration	120	400
Nationality – Minor single and multiple	200	400
Highly Skilled Migrant Programme	315	400
HSMP Leave to Remain	335	350
Work Permits	153	190
Work Permit Leave to Remain (including SAWS)	335	350
Work Permit Leave to Remain Premium (including SAWS)	500	550
Leave to remain for innovator, investor, a person intending to establish himself in business, a retired person of independent means, a sole representative	335	750

4. Legislative Background

4.1 Section 51(3) of the 2006 Act provides that where an order under that section provides for a fee to be charged, regulations made by the Secretary of State shall specify the amount of the fee.

4.2 Section 42(1) of the 2004 Act enables the Secretary of State when prescribing a fee under section 51 of the 2006 Act to prescribe an amount which is intended to exceed the administrative costs of determining the application or undertaking the process, and reflect benefits that the Secretary of State thinks are likely to accrue to the person who makes the application, to whom the application relates or by or for whom the process is undertaken, if the application is successful or the process is completed.

4.3 Section 51(3) of the 2006 Act also enables the Secretary of State to, amongst other things, provide for exceptions and make provision about the consequences of failure to pay a fee and section 52(3) also enables the Secretary of State, amongst other things, to make different provision for different cases or circumstances.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 The Minister of State for Nationality, Citizenship and Immigration has made the following statement regarding Human Rights:

In my view the provisions of the Immigration and Nationality Fees (Fees) Regulations 2007 are compatible with the Convention Rights.

7. Policy background

7.1 During the course of 2003/04 the Home Office introduced charges for a range of immigration applications to ensure that those who use and benefit from the UK's immigration system met the costs of delivering the administrative service provided. Fees were calculated to recover the full administrative costs (including staffing and overhead costs) of processing applications to the point of conveying a decision. As part of the top to bottom analysis of the immigration system in 2004, the Home Office undertook a further review of its fees, and developed proposals to add to the full cost recovery charging model. Following a formal consultation, changes to the basic administrative fees were made in April 2005 to also include some of the costs of providing the appeals system for applicants who seek leave to remain in the UK.

7.2 We have recently undertaken a public consultation exercise from 30 October to 22 December last year supported by the publication of 'A consultation on a new charging regime for immigration & nationality fees'. The consultation document was made available on the Home Office website and was also sent to over 3,000 people.

7.3 The consultation document set out a number of options for a future charging regime. It sought views on whether we should over cost-recover through these fees and if so how we should exercise our power to do so. We considered the options in light of the responses received during this exercise and considerable market research. The overwhelming majority of respondents favoured the implementation of an intelligent model that uses a number of factors to set fee

levels (i.e. value to the migrant whilst also taking into account other factors such as UK competitiveness). The response to the consultation was published on 7 March.

8. Impact

8.1 A Regulatory Impact Assessment is attached to this memorandum (annex A)

9. Contact

Steve Birtwistle at the Immigration and Nationality Directorate of the Home Office
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Home Office

Regulatory Impact Assessment for work permit fees

Purpose and intended effect

Objective

1. Last summer the Home Secretary announced the biggest shake-up of the UK's immigration system in its history with the publication of the review of the Immigration & Nationality Directorate (IND). A key component of the new approach is a step-change in the enforcement and compliance activity to ensure that the immigration laws are enforced.

2. The latest chapter in this process was the publication of a comprehensive and radical cross-Government enforcement strategy on 7 March 2007, backed by around £100m extra for immigration policing, detention space, and systems to share data and intelligence on those here illegally, designed to bear down on those seeking to cheat the system and live illegally in the UK

3. We propose that there should be no increase to general taxation to fund this. Resources will be raised through a new approach to the pricing of visas and immigration products so that those who directly benefit from our services pay more. In line with our policy to make it easier for those we want to come here, but tougher on those abusing the system, we will also be able to fund improvements to customer service alongside our new points-based system for managed migration, deciding applications more quickly and

making it easier for those employers, institutions and other sponsors who abide by the rules.

Background

4. During the course of 2003 and 2004, the Home Office introduced charges for a range of immigration and nationality applications. The first phase of full cost recovery charging sought to ensure that those who use and benefit from the UK's immigration service met the costs of delivering the administrative costs (including staffing and overhead costs) of processing applications to the point of making and conveying a decision.

5. The current charging regulations are set out in Table 1, below.

6. The IND Review published in July 2006 stated that we should charge a fair and economic rate for our services but also one that reflects the true operational costs of the immigration system. At present however only the basic administrative costs of processing work permits are recovered. Compliance and enforcement activity against both employers and migrants is funded solely by the UK taxpayer through general taxation.

Table 1

Table 1: Current charging regulations for immigration and nationality applications

Act	Section	Allows charges to be levied for:
British Nationality Act 1981	41(2)	• Naturalisation applications • Registration • Applications to renounce British citizenship • Copies of documents/certificates • Citizenship ceremonies
Immigration and Asylum Act 1999	5(1)(a)	Leave to remain
Immigration and Asylum Act 1999	5(1)(b)	Extensions/variations of leave to remain
Immigration and Asylum Act 1999	5(1)(c) – as amended by Section 43 of the Asylum and Immigration (Treatment of Claimants, etc) Act 2004	Transfer of conditions of leave to enter or remain
Immigration and Asylum Act 1999	27	Travel Documents
Nationality, Immigration & Asylum Act 2002	10	Certificate of entitlement to the right of abode
Nationality, Immigration & Asylum Act 2002	122	Immigration Employment Documents
Asylum and Immigration (Treatment of Claimants, etc) Act 2004	42	Overcost charging
Asylum and Immigration (Treatment of Claimants, etc) Act 2004	25	Certificate of Approval

7. As the Home Office and UKvisas implement the measures outlined in the Review, which included a confirmation of the Government's plans to introduce the new Points Based System (PBS) for managed migration, we need to consider how immigration services are paid for. We are clear that any changes to the way in which we charge UK based employers and migrant workers who come to the UK must not adversely impact on the many benefits that legal migration brings. But it is right to consider whether our charging strategy should better reflect the end-to-end cost of the whole immigration system.

8. At present, most fees are paid by migrants themselves. The exception to this is the work permit system, where responsibility for paying for work permit applications rests with the employer of the migrant. This system will end with the introduction of the Points Based System and will be replaced with a single immigration decision supported by a certificate of sponsorship provided by a UK-based and registered sponsor. We expect that the new system will make it faster and less bureaucratic for trusted employers to bring migrants to the UK.

9. We do not propose making any changes to the way in which fees for immigration and nationality services are charged under the current system. As such employers in the entertainment sector, for example, will continue to be able

to apply for group work permits. We are still considering how best to implement the new sponsorship system under the new Points Based System, and will continue our dialogue with the relevant sectors to develop a process that best meets their needs and ours.

10. The Home Office is also committed to a radical shake up of enforcement, border controls and identity checks, to help prevent illegal migration and criminality from damaging the UK. At the same time we are investing in a system that will welcome legitimate travellers: which is easy and attractive for the many migrants vital to the UK's economic competitiveness.

11. We need major investment for these improvements and will generate additional revenue through increased fees for migrants, as we believe it is right that those that benefit from the service should help pay for it.

Rationale for Government intervention

12. We need to change the way we charge in order to generate additional revenue to help fund the transformation of the immigration system. The Government has previously set out the following objectives:

- Key strategic objectives for IND are set out in *Fair, Effective, Transparent and Trusted: Rebuilding confidence in our immigration system* (the report on the IND Review published in July 2006). These include:
  - Strengthen our borders; use tougher checks abroad so that only those with permission can travel to the UK; and ensure that we know who leaves so that we can take action against those who break the rules.
  - Fast-track asylum decisions, remove those whose claims fail and integrate those who need our protection.
  - Ensure and enforce compliance with our immigration laws, removing the most harmful people first and denying the privileges of Britain to those here illegally.
  - Boost Britain's economy by bringing the right skills here from around the world, and ensuring that this country is easy to visit legally.

- Longer term service delivery improvements, especially the new Points Based System, are set out in the Command Paper published by the Home Office in March 2006.

Consultation

13. The Home Office and UKvisas consultation paper, *A consultation on a new charging regime for immigration and nationality fees,* sought views on the

proposal to change the principles on which fees are set, away from a cost recovery model to an intelligent one that was based upon factors such as the value to the migrant of a successful application and the need to maintain international competitiveness and the UK position as a place to visit, study, work or to do business in.

14. The consultation ran from 31 October to 22 December 2006. The consultation document was available as a printed document and from the IND website at www.ind.homeoffice.gsi.gov.uk. Over 3000 printed copies were sent out to stakeholders and interested parties and there were 340 formal responses returned. In addition, a number of sector based stakeholder events were conducted, involving over 400 participants.

15. The Government's formal response to the consultation, including analysis of the consultation responses, was published on 7 March 2007. A copy of the response is at Annex A.

Impacts on the economy

16. A change in the pricing regime for immigration and nationality fees could potentially have a number of impacts on the economy. These will vary by sector; by size of business; and by the characteristics associated with each market or industry.

17. Outside of unrelated changes to the economy, key impacts associated with an increase in fees for work permits may occur for two reasons:

- A change in volumes of migrants due to changes in prices for different migration routes (so employers may decide not fill a vacancy); and
- A change in the costs of employment due to changes in work permit costs – that is, the additional burden placed on firms due to increased employment costs associated with higher fees for work permit applications (so employers may decide to pass the higher costs onwards to consumers and other businesses)

Impacts on Employers

18. We have conducted extensive market research to support the new charging approach. We have identified the entitlements and services that employers value and are prepared to pay for. We have also explored likely changes in demand through increased prices, and the key thresholds at which our fees would be too high with the same services and entitlements. In addition, the research has identified employment sectors who use search and selection services (with an additional cost) as part of the recruitment process of hiring a migrant worker.

Work Permit Employers – summary of market research findings

- Nearly half of applicants claim that they would be prepared to pay more for a faster service if the decision making took one or two days, with this stronger among large companies who both expect more, and place greater value on, faster service.
- Two thirds would be prepared to pay more if they had a named contact throughout the application process, with larger companies placing greater value on this potential service change.
- Charges of over £200 would potentially have a significant impact on demand for work permits for the current level of service (49% claim they would not pay over £200).
- Fees set below that level would have limited impact as demand appears to be relatively inelastic to this point
- With new service levels the threshold is nearer £300 for a similar level of rejection (51%) although over half (57%) would not expect to pay over £200.
- Even with new service levels £500 appears to be another threshold – 77% rejecting at this price.
- Those willing to pay more than £500 for application are more in favour of having a named contact.

Work Permit Agents (search and selection services) – summary of market research findings

- Almost half (48%) of the agents charge £650 or more for a WP application, with the average fee at £622.
- The Work Permit application fee, on average, only represents 12% of the total expense to the applicant, when agents are used.
- Two thirds (69%) of the agents present agency fees and UK Work Permit fees separately, whereas 15% decide on an individual basis and another 13% present an 'all in one' fee.
- 'Speed of service' and 'work permit restrictions' are considered to be the most important factors of the application process (scoring 64% and 34% on 'extremely important'). Application fee to UK Work Permits is rated as extremely important by 18% of agents.
- Almost one third (30%) think that a change in the fee payable to UK Work Permits would influence the number of applications.
- In the scenario of the application fee changing the majority of agents claim their fees would not be changed. However, one-fifth (18%) claim that they would be likely to increase their fees if the application fee increased.

Elasticity of demand for Work Permits – theory and empirics

19. The demand for migrant labour will be subject to elasticity of demand effects (i.e. where a change in price leads to a change in quantity demanded). Where the demand is inelastic, a change in the relative price of migrant labour will not lead to a change in the quantity of labour demanded. Where the demand is elastic, a change in the relative price of migrant labour will lead to a reduction in the quantity of labour demanded.

20. The work permit system is designed to help employers fill skill shortages, and contains three broad categories:

- **Tier 1** - a list of skills shortage occupations is identified – employers that need to recruit labour in these occupations are allowed to employ a migrant on a work permit
- **Tier 2** - where the occupation is not on the shortage list, an employer must undergo the Resident Labour Market Test (RLMT). The RLMT requires an employer to advertise the vacancy in an appropriate medium for 4 weeks in the resident labour market. If no suitably skilled applicants are available within the UK or EEA labour market, the employer may employ a non-EEA national on a work permit. The employer must provide evidence that they have made reasonable attempts to fill the vacancy from the resident labour market.
- **Intra-Company Transfer (ICT)** - companies that have offices in more than one country can apply for an employee to be transferred from an office in one country to an office in another. They must demonstrate that the employee will be working in a job that no other employee in the company has the ability to perform as successfully.

21. The elasticity effect will vary by industry, by the available pool of skilled labour, and by the industries' ability to respond to the price change. The elasticity effect will be higher where an industry has low demand for specialised migrant labour, where the available pool of skilled labour is high domestically and where the firm has lower ability to respond to an increase in the price of labour through changing business strategies (costs, profits, production, quality, diversification, expansion etc). Usually this will depend on the elasticity of demand for the goods/services they produce.

22. Demand from employers in areas where there is an identified skill shortage is relatively inelastic overall. However, there may be some sectors where an increase in fees could impact on demand for work permits.

23. If the demand for migrant is elastic, an increase in the price of labour will lead to a fall in the quantity of labour demanded. In this context the price of labour depends not just on the price of a work permit, but on the total employment costs. This will include the wage, national insurance contributions,

the costs of advertising and recruiting the employee, and any additional bonuses or perks that are offered to the employee. The percentage change in total employment costs of an increase in the work permit price will be relatively small, implying insignificant impacts on volumes unless there is a significant price change. It is therefore important to determine which sectors may have a more elastic demand for migrant labour as these will be the employers most affected by an increased work permit fee.

Impact on sectors

24. Table 2, below, shows the twelve sectors that had the highest number of work permits approvals in 2006.

25. The sector with the highest number of work permit applications is Health and Medical Services, followed by; Computer Services; Administration, Business & Management; Hospitality & Catering; Education; and Financial Services.

Options

26. All charging regimes presented within this assessment meet the revenue envelope limits agreed with HM Treasury. This enables IND to seek to recover £100m over its cost base for financial year 2007/08 within the spirit of the Fees and Charges Guidance. In doing so the regime will attempt to balance entitlements to the users and immigration control at no further increase to general taxation. As a result, the direct users of the service may need to pay more for access to it.

Application demand forecasting

27. There is a potential that fee levels rise to a point that discourages applicants from applying. The costs of the immigration controls are not directly linked to volume and will remain even if volume should fall. If we see volume fall because we have not priced sensitively we put at risk business income and the activity we seek to drive that will threaten the maintenance of these new controls.

28. Forecast demand is calculated using regression analysis on previous fee levels, coupled with key price thresholds identified from market research. Findings from the market research suggest a key price threshold of £200 for work permit applications. Thus, any increase in fee above £200 would be expected to result in a drop in application volume. Analysis of the price demand curve suggests an impact of 1% drop for every £8 rise above £200. All volume predictions used in the regimes below utilise this model.

29. Table 4, below, compares the work permit fee levels for the three proposed models for the new charging regime against the price threshold identified from the market research.

Table 4

Current work permit fee level	Price threshold based on market research	Cost Recovery (option i)	Pricing based on value to migrant (option ii)	Pricing based on value and UK competitiveness (option iii)
£153	£200	£181	£350	£190

(i) Pricing based on cost recovery (i.e. maintain the status quo)

30. Under this regime the fee levels for all chargeable migration routes would be set at cost recovery except where there are known limits (e.g. the fees for convention travel documents for refugees who do not have a national passport cannot legally be set above UK passport fee levels).

31. This would result in a work permit fee of £181 for 2007/08, a rise of £28 from current levels, but this would not raise sufficient revenue to fund the increased controls and service enhancements. Neither would it provide for sufficient flexibility across all fee levels to allow IND and UKvisas to price sensitively those routes that the research shows to be price sensitive.

Costs

32. Working on the volume forecasts for the business of 153,765 applications, the increased impact on UK business compared to 2006/07 fee levels is forecast at £4.3m.

Benefits

33. This model provides a straightforward link between costs and fees, which is easy to explain to both migrants and the UK taxpayer.

(ii) Pricing based on value to migrant only

34. Under this model IND would set fee levels to overcost charge using existing legislation. This would mean using a section 42 order under the Asylum and Immigration (Treatment of Claimants, etc) Act 2004 to overcost charge for applications made in-country.

35. This new charging model would set prices according to the value of the end user only. It would not allow us to take into consideration such issues as international competitiveness or wider Government objectives, such as the Prime Minister's Initiative to promote student exports.

36. We would continue to set fees for some administrative services at cost recovery levels. Where there were pre-determined limits to the fee that can be charged, such as the legal limits for charging certain travel documents, we would set fees at these levels.

37. The new official level cross-Government Fees Committee would have a significant part to play in determining appropriate fee levels based on the value to the end user. New fees would be laid before Parliament to agree prior to implementation.

38. Dependant upon assessment of value, and given that the revenue envelope limit agreed with HM Treasury remains the same, this would result in a work permit fee of up to £350, a rise of £197 from current fee levels.

Costs

39. With demand impact adjusted to take into account the higher fee, the volume forecast of 124,934 applications represents a fall in application volumes over cost recovery volumes of 28,831 in total. The increased impact compared with 2006/07 fee levels is forecast at £24.6m. This is an additional £20.3m burden above cost recovery regime (option i) levels.

40. There is likely to be a reduction in volumes due to decreased demand for work permits at a price in excess of indicated threshold levels (see market research, above). 49% of employers indicated that they would not pay over £200 for a work permit.

Benefits

41. Employers are charged a fee level that reflects the relatively high value of this service. Reflecting the benefits recruitment of overseas workers bring to UK based employers where existing labour market shortages exist.

42. Assuming volume risk forecasts are accurate; this regime would allow the Government to recover the costs of administrating the immigration service and deliver the transformation set out.

(iii) Pricing based on value to migrant and other factors

43. This model is similar to option ii) set out above except that as well as taking into account the value to the end user, IND would also be able to take account of other factors such as UK international competitiveness and value to the UK of the migrant. We would use the market research and regression analysis to set fees at a level that would not impact on demand.

44. The work permit fee would rise £37 above 2006/07 fee levels to £190.

Costs

45. This regime brings some additional impact on UK business. With volume forecast for this price level of 153,765 applications, the increased impact on UK business compared to 2006/07 fee levels is forecast at £5.7m, an additional burden of £1.4m above cost recovery levels.

Benefits

46. This regime achieves all of the stated objectives in that it allows the Government to recover the required costs of administrating and transforming the immigration system.

47. In addition the fee level is set at a level which the research indicates will continue to attract those workers we wish to welcome to the UK. By pricing in a way that is sensitive to any impact on falling volumes we will manage this risk. Sustained levels of applications will reduce distortion of prices and overall support the strategic business objectives.

Impact on Sectors

48. Table 5 shows the additional burden to employers associated with the change in cost-recovery baseline fees for the regimes. Cost recovery is the situation that would occur without any change to the pricing regime.

49. Pricing based on value to the migrant alone has a larger impact on all work permit employers and on individual sectors than pricing on value to the migrant and international competitiveness. In option (ii), six sectors face an additional burden of over £1m (this includes the Health and the Education sectors); whereas only the Health and Medical services sector faces a burden of over £1m in option (iii). However, it should be noted that for both options (ii) and (iii), the additional burdens on each sector are negligible as a proportion of their respective turnovers.

Small Firms Impact Assessment

50. When assessing the impact of a new regulation on small firms, we want to see whether any significant impacts will arise that may have a disproportionate impact on small firms, or that may affect their competitiveness with larger firms. A change in the pricing strategy for immigration and nationality fees could have two types of impacts we need to be aware of:

- A decrease in demand for goods/services due to increased fees
- An increase in the costs of employing migrants

Table 5

Industry/Sector	Cost Recovery (option i)		Pricing based on value to migrant (option ii)		Pricing based on value and UK competitiveness (option iii)	
	Work Permits	Burden	Work Permits[1]	Burden	Work Permits	Burden
Health & Medical Services	42,712	£1,195,929	34,704	£6,836,605	42,712	£1,580,344
Computer Services	25,581	£716,261	20,784	£4,094,500	25,581	£946,497
Admin, Bus & Management	16,833	£471,314	13,677	£2,694,361	16,833	£622,821
Hospitality & Catering	13,528	£378,797	10,992	£2,165,330	13,528	£500,536
Education & Cultural Act.	11,998	£335,936	9,748	£1,920,389	11,998	£443,926
Financial Services	10,328	£289,179	8,392	£1,653,129	10,328	£382,136
Entertainment & Leisure Serv.	5,946	£166,487	4,831	£951,780	5,946	£220,002
Manufacturing	4,524	£126,681	3,676	£724,216	4,524	£167,388
Construction & Land Services	3,509	£98,253	2,851	£561,592	3,509	£129,833
Sporting Activities	2,228	£62,374	1,810	£356,529	2,228	£82,436
Retail & Related Services	2,137	£59,849	1,736	£342,077	2,137	£79,069
Transport	1,746	£48,877	1,418	£279,333	1,746	£64,602
Extraction Industries	1,708	£47,817	1,387	£273,296	1,708	£63,196
Meat Processing - SBS	1,662	£46,539	1,350	£265,979	1,662	£61,494
Hospitality - SBS	1,661	£46,508	1,349	£265,796	1,661	£61,457
Law Related Services	1,542	£43,173	1,253	£246,771	1,542	£57,054
Telecommunications	1,536	£43,017	1,248	£245,857	1,536	£56,832
Government	1,140	£31,920	926	£182,380	1,140	£42,180
Agricultural Activities	949	£26,558	771	£151,831	949	£35,113
Utilities - Gas, Elect, Water	865	£24,220	703	£138,477	865	£32,005
Other Food Processing SBS	816	£22,849	663	£130,611	816	£30,192
Real Estate & Property Services	354	£9,913	288	£56,708	354	£13,098
Fish Processing SBS	298	£8,354	242	£47,744	298	£11,026

[1] Application levels varied to reflect projected impact of different fee levels

Security & Protective Services	165	£4,613	134	£26,342	165	£6,105
TOTAL	**153,765**	**£4,305,420**	**124,934**	**£24,611,998**	**153,765**	**£5,689,342**
Total (Excl. Public Sector)[2]	**107,636**	**£3,013,794**	**87,454**	**£17,228,399**	**107,636**	**£3,982,539**

Employment Costs for Small Firms

51. During 2006 IND received approximately 154,000 work permit applications from approximately 30,000 different employers. Within these figures there are some very large users – one employer accounts for over 4,000 applications – and many thousands of employers who have made only one application. Table 6 below shows the number of firms that employ certain numbers of migrant workers on a work permit.

Table 6[3]

Number of Work Permits Issued to Firm	Number of firms
> 500	26
250-499	40
100-249	90
50-99	184
25-49	488
10-24	1,564
5-9	2,762
4	1,458
3	2,518
2	5,793
1	18,716
Total	**33,639**

52. We do not hold statistical information on the size of a company making an application. It is therefore difficult to profile a typical customer, and to assess the financial impact on them. Figures taken from a Work Permits (UK) consultation in 2002 showed that approximately 27% of applications were made by small businesses.[4] We have used this assumption in the below calculations as we

[2] We estimate that the approximately 30% of work permits are issued to the public sector; hence the impact on the private sector will be 70% of the total additional burden.

[3] The data come from Work Permits Management Information on all work permit approvals in 2006 excluding members of groups. The data are not 100% accurate as the same firm may be recorded under two different names, meaning the data are likely to over-estimate the total number of firms, and under-estimate the average number of work permits issued to some firms. These figures should therefore be treated with caution.

[4] http://www.ind.homeoffice.gov.uk/6353/6356/17715/closedconsultationsworkperm2.pdf

would expect work permit applications to be mainly generated by middle to large businesses.

53. Assuming small businesses still account for approximately 27% of the applications then the additional employment costs for small firms would be:

- Cost recovery regime – **£1.1m** to move to new baseline cost-recovery fees
- Value to the migrant regime - **£6.6m** to move to this pricing strategy
- Value to the migrant and UK PLC competitiveness - **£1.5m** to move to this pricing strategy

54. These additional costs will be spread amongst all the small businesses that employ migrant workers. Many will only employ one migrant worker and hence would only face small additional employment costs. The average turnover for small businesses was approximately £1.4 m in 2005, although the median will be significantly lower than this.[5] The additional employment costs associated with a change in the pricing strategy for work permit fees will hence be insignificant as a proportion of small firms' average turnovers.

Table 7

Number of enterprises, employees and turnover in the whole economy by number of employees, UK, start 2005[6]

	Number			
	Enterprises	Employees (/ 1,000)	Turnover [7] (/ £ million)	Average Turnover (/ £ million)
Whole economy				
All enterprises[8]	4,423,500	25,094	2,636,420	596,003
With no employees [9]	3,169,370	407	193,460	61,041
All employers	1,254,135	24,687	2,442,960	1,947,924
1-4	823,085	1,797	210,141	255,309
5-9	220,470	1,440	151,317	686,338
10-19	113,250	1,527	157,433	1,390,137
20-49	59,355	1,804	198,518	3,344,588
50-99	18,910	1,306	151,410	8,006,875
100-199	8,945	1,240	170,791	19,093,460
200-249	1,880	418	50,005	26,598,404
250-499	3,730	1,300	197,137	52,851,743
500 or more	4,510	13,856	1,156,208	256,365,410

[5] Small Business Service Analytical Unit: www.sbs.gov.uk
[6] Data from the Small Business Service Analytical Unit, 2005.
[7] All turnover figures exclude financial intermediation firms where turnover is not available on a comparable basis.
[8] Numbers of enterprises are rounded in order to avoid disclosure. Consequently, the "All Enterprises" and "All Employers" may not exactly match the sum of their parts.
[9] "With no employees" comprises sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies.

Small (1-49)	1,216,160	6,568	717,409		1,419,093
Medium (50-249)	29,735	2,964	372,206		17,899,580
Large (>250)	8,240	15,156	1,353,345		154,608,576

55. The impact on small firms will vary by sector and by their ability respond to employment cost increases compared to competing firms. However, it is important to note two things: firstly, it is likely that many firms employ migrants in each sector – hence many firms will face similar increases in employment costs; secondly, total employment costs will only rise by a small proportion, as the main costs of employment are associated with wages and NICs rather than the price of a work permit or work permit LTR application.

56. We therefore judge that there will be no significant or disproportionate impact on small businesses due to the proposed regulations. However, it is clear that cost recovery will have the lowest impact on small firms, the value to migrant and UK PLC's competitiveness pricing regime will have the next lowest impact and pricing solely on the value to the migrant will have the greatest impact.

Small Firms Consultation Responses

57. The consultation set out to assess the impact on small businesses, and question 7 asked: *"How might any impact on small and medium-sized businesses be minimised?"*

58. Popular responses to this question included:

- Support to businesses through simple guidance and access to consistent helpline advice. A specific example highlighted was for clear and coherent routes from study into work for international students so that employers are able to understand these and what they must do to recruit international graduates.
- Competitive prices and benchmarked against other countries
- Introduce differential pricing for the non-profit sector and also a group fee for entertainers and cultural artists.
- Review the impact of the charging system regularly.

Competition assessment

59. The proposals to change the pricing strategy for immigration and nationality fees could have a number of possible impacts that may affect competition among markets:

- Impact on tourism industry due to a fall in visitor numbers (due to increased visa fee).

- Impact on employers of migrant workers (higher employment costs due to increased work permit fee).
- Spillover impacts to firms with significant links to tourism industry.
- Spillover impacts to firms with significant links to sectors in which high numbers of migrants are employed.
- Impacts on universities and colleges educating foreign students.

60. The impact of an increase in the price of a work permit could have an effect on any company that is employing (or will employ) non-EU workers. The key industries currently using work permits - covering the private and public sector - and potentially affected are Health, Computer Services, Hospitality and Admin and Business Services (see table 2 above).

61. In the sectors employing migrants through the current work permit system we do not identify any significant market share issues, when this is examined with reference to the 'competition filter' framework set out by the Office of Fair Trading. Our assessment is outlined in the paragraphs below.

62. The largest sector is the Health sector. The majority of these workers will be employed by the NHS and hence do not need to be included for the purposes of a regulatory impact assessment. The next largest sectors are Computer Services and Administration, Business and Management (a catch-all category that comprises of firms in a wide range of sectors – the largest in terms of migrant employment being the management consulting sector). The next largest sectors are Hospitality & Catering, Financial Services and Education.

63. In none of these sectors do we estimate that any one firm has more than 10% of the market share. The use of migrant workers by employers is the result of shortages of particular types of labour. Migrant workers tend to be concentrated in sectors rather than specific firms within sectors. This should not create any competition issues as the proposals apply equally to all firms in a particular sector.

64. Whilst we do not anticipate any significant impacts on competition, it should be noted that we would expect any impacts to be greater for the regimes where the price of a work permit changes the most. In this case, cost recovery would have the lowest impact on competition. Pricing on value to migrant and international competitiveness would have a slightly higher impact and pricing on value to migrant alone would have the highest impact.

Social impacts

65. No impacts on health or rural proofing were identified.

66. Please see the Race Equality Impact Assessment, which can be found on the Immigration and Nationality Directorate's website: www.ind.homeoffice.gov.uk.

Environmental impacts

67. None identified.

Legal aid impacts

68. The fee changes will not involve a change to the qualifying criteria for work permit or leave applications. As a result, no increase in the number of appeals is anticipated. In view of this and as many migrants do not qualify for legal aid, no impact is identified.

Enforcement, sanctions and monitoring

69. It will be important to monitor impacts on volumes, sectors, small businesses and competition after the regulations have been introduced. This will ensure that any adverse impacts or unintended consequences that arise can be monitored, and any mitigating action be identified effectively and efficiently.

Implementation and delivery plan

70. We are working with policy colleagues throughout IND to ensure that all forms and guidance are amended as part of the implementation of the new work permit fee. We will provide advice on the IND website for the new fee levels and a Frequently Asked Questions document for customers to explain the changes.

Post-implementation review

71. Application trends are monitored by IND on a monthly basis. This analysis will be considered by the cross-Whitehall Fees Committee to ensure that the fee levels generate sufficient revenue to meet delivery costs but do not adversely impact on the UK economy. In addition, more qualitative information from stakeholder groups will be incorporated into fee reviews.

72. As the Government begins to implement the transition to the Points Based Scheme, we will review the impact of fee levels to ensure that the objectives continue to be delivered.

Summary and recommendation

Summary costs and benefits table

Option	Total benefit per annum: economic, environmental, social	Total cost per annum: - economic, environmental, social - policy and administrative
(i) Pricing based on cost recovery: Work permit £181	o Clear link between costs and fee levels o Lowest impact on competition and small firms	o £4.3m impact on UK business above 2006/07 levels o Does not raise sufficient revenue to support objectives
(ii) Pricing based on value to migrant only: Work permit £350	o Fees set on value to migrant	o £20.6m impact above current levels on UK business o Substantial volume risk including 28,831 reduction in work permit applications o Highest impact on competition and small firms
(iii) Pricing based on value to the migrant and international competitiveness: Work permit £190	o Fees set according to variety of factors; value to the migrant, price sensitivity, value to the UK o Volume risk minimised as fee levels are able to take into account demand thresholds – no forecast work permit reductions o Low impact on competition and small firms	o £5.7m impact above current levels on UK business

73. We believe that pricing on cost-recovery alone would fail to achieve the Home Office's objectives of funding the additional resources needed to police an effective, end-to-end migration system and so would incur a burden on the UK taxpayer. Cost-recovery would not raise sufficient revenue to fund the transformations proposed. Without a contribution from the UK taxpayer, the fee demands to meet revenue targets would place many migration routes into known volume risk levels.

74. Likewise, we believe that implementing a pricing model based solely upon value to the applicant will also bring about significant volume risk. The indicative work permit fee levels would be far in excess of the price threshold of £200 demonstrated in the market research.

75. The Home Office's recommended regime therefore is pricing immigration fees flexibly based on value to the migrant and other factors, including, for example, international competitiveness. Application modelling forecasts support the belief that this model will generate sufficient funding to meet the Home Office's objectives; the users of the system will pay for more of the costs of its end-to-end operation; fees will be set at levels to reflect the entitlements they benefit from, whilst maintaining the UK as an attractive destination for those coming here to work, study or visit.

Declaration and publication

I have read the regulatory impact assessment and I am satisfied that the benefits justify the costs

Signed ……..

Date

Liam Byrne MP, Minister of State, Home Office

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ANNEX A

[Home Office Logo]
[FCO logo]

A RESPONSE TO THE CONSULTATION ON A NEW CHARGING REGIME FOR IMMIGRATION & NATIONALITY FEES

This document is a response to the Consultation on a New Charging Regime for Immigration and Nationality Fees. Copies of both these documents are available in electronic format on the Immigration and Nationality Directorate website: www.ind.homeoffice.gov.uk

March 2007

Foreword – Liam Byrne MP and Lord Triesman





We are pleased to publish the formal Government response to the public consultation on a new charging regime for immigration and nationality services. This forms part of the wider implementation of the recommendations set out in the review of the Immigration and Nationality Directorate (IND) in July last year and is a vital element of the transformation of our border control and immigration system.

The Government remains committed to ensuring that the UK remains a welcoming destination for legitimate migrants who seek to come here to work, study or visit. Legal migration makes an important contribution to the economic and cultural prosperity of this country and we are determined that the UK should maintain its global position as a destination of choice. However, as set out in the IND Review, it is clear that those who use the immigration system should contribute to the full economic costs of the end to end system. It is imperative that, in order to maintain public confidence in and general credibility of the immigration system, that we ensure and enforce compliance with the immigration laws.

The IND Review also committed us to doubling enforcement resource by April 2009 and we believe that it is appropriate to seek an increased contribution to this investment from those who use, and directly benefit from, the wider immigration system rather than through general taxation. Today the Government also publishes its new strategy for enforcement and compliance of the immigration system setting out clear objectives and delivery outcomes to support the transformation of the system into a truly world class service. Alongside a step change in enforcement and compliance activity, we are committed to delivering a number of improvements to develop the service we provide to those who apply to come to the UK legally. For example, we are expanding our use of corporate partners overseas to help improve access to our visa services. We are providing a better service to those who have queries about immigration and nationality services, including British businesses, by opening our call centres for longer hours and reducing call waiting times.

In this document we set out a new model for setting fees for immigration and nationality services. By moving from a simple cost recovery model to a flexible charging regime we will be able to set fees at the appropriate levels to both help fund the transformation of the end to end immigration system and to maintain the UK's position as a world leading place in which to visit, study or do business. The

responses to the consultation support this new model and will also help inform the development of the new Points Based System for work and study being introduced from later this year.

We would like to thank all those who have engaged with the consultation process, either through formal written responses or participation in one of the sector based stakeholder events. We welcome dialogue with those who use the immigration system and remain committed to maintaining existing channels of communications, particularly with representative groups and taskforces.

The Government is determined to drive forward the transformation of our border control and the immigration system. We recognize the importance of maintaining public confidence in the system, in order that legal migrants are welcomed and able to make a valuable contribution to boosting Britain's economy and enriching the cultural and academic life of the UK. Through the improvements we have already set out and begun to implement we are confident that we will deliver. The new charging regime will support this work and help ensure the transformation of the end to end immigration system.

Liam Byrne MP
Minister of State for Nationality, Citizenship and Immigration,
Home Office

Lord Triesman
Parliamentary Under-Secretary of State,
Foreign & Commonwealth Office

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1. Introduction

Background to charging for immigration services

1.1 During the course of 2003/04 the Home Office introduced charges for a range of immigration applications to ensure that those who use and benefit from the UK's immigration system met the costs of delivering the administrative service provided. Fees were calculated to recover the full administrative costs (including staffing and overhead costs) of processing applications to the point of conveying a decision. As part of the top to bottom analysis of the immigration system in 2004, the Home Office undertook a further review of its fees, and developed proposals to add to the full cost recovery charging model. Following a formal consultation, changes to the basic administrative fees were made in April 2005 to also include some of the costs of providing the appeals system for applicants who seek leave to remain in the UK.

1.2 In 2004 UKvisas also undertook a comprehensive review of their charging structure, rationalising the different possible fee levels from 11 to four. The new fees were introduced in July 2005 to recover the administrative costs of processing visa applications overseas. This incorporates the costs of new visa regimes and the operational costs associated with the enhanced outsourcing programme. In line with the National Audit Office recommendations, the fees also include the costs of setting up a number of Risk Assessment Units with the remit to drive better informed decision making overseas.

Current charging regime

1.3 IND and UKvisas' principal fees have remained fixed for this current financial year (April 06 to April 07). This means that despite inflationary pressures, no fee changes will have taken place since July 2005. The current prices are shown in the table below.

Application Type	**Postal Service (£)**	**Premium Service (£)**
Managed Migration Fees		
Leave to Remain	335	500
WRS	70	-
Student Leave to Remain	250	500
Transfer of Leave	160	500
Highly Skilled Migrant Programme	315	-
Work Permits (incl SBS and TWES)	153	-
Travel Documents (CID)	195	-
Child CID	115	-
Travel Documents (CTD)	42	-
Child CTD	25	-
Nationality – ROA	120	-
Nationality – 6(1)	200	-
Nationality – 6(2)	200	-
Nationality – Adult Registration	120	-
Nationality – Minor single and multiple	200	-
Nationality – renunciation	120	-
SAWS	12	
UKVisas Fees		
Direct Airside Transit Visa	30	
Visit Visa	50	
Student Visa	85	
Long Term Visa (including WP and HSMP Visa)	85	
Settlement	260	

2. The consultation exercise

2.1 We ran a public consultation exercise from 30 October to 22 December last year, supported by the publication of *A consultation on a new charging regime for immigration & nationality fees*. The consultation document was made available on the Home Office website and was also sent to over 3,000 people. We have received 340 written responses in total and the majority of responses have been in the form of the completed questionnaire. The responses have come from all types of external organisations ranging from large umbrella organizations representing affiliated groups to small businesses and individuals. We also received written responses from a number of foreign Government representatives.

2.2 The consultation exercise included face to face contact through a number of sector based events over three weeks in November and December. We also held a number of meetings with representative bodies and in particular the three Taskforces – Joint Education Taskforce, Employers Taskforce and the Arts & Entertainments Taskforce. These bodies continue to be an important and valuable forum for discussing immigration matters, and we welcome their contributions to this issue as well as many others.

2.3 A summary of the consultation responses and list of those who have responded is included in this document.

3. The new charging regime

3.1 In the consultation document a number of options for a future charging regime were discussed. Below we outline what we believe will be the most appropriate model for setting fees for immigration and nationality services from this April. The new flexible approach will allow us to set fees at levels that maintain our competitive position worldwide and continue to attract migrants to visit, study or work in the UK, whilst better capturing the true cost of the end to end immigration system. This will help support the programme of transformation set out in the IND Review published last summer, including a step change in enforcement and compliance activity and improvements in services provided.

Pricing flexibility and value based fees

The policy

3.2 The policy intent is to implement a charging regime that will have a flexible approach to setting fees for immigration services. This will give us scope to consider for example, where we need to set fees for different services in order to maintain competitiveness in certain areas, but ensure that the immigration system overall generates the revenue needed. This will help us to price intelligently those routes we believe are most sensitive to price, and to protect them to some degree from increases in the cost base where this would have an adverse impact on the attractiveness of the UK as a destination.

3.3 The new charging model will look at and assess a range of factors when setting fees:

i) the value of a successful application to the migrant – such as the ability to work; accompaniment by dependants; whether there is a route to settlement; the length of leave granted; and access to benefits;
ii) elasticity of demand and the fees charged by other countries for similar entitlements;
iii) wider Government objectives, such as the Prime Minister's Initiative to promote student exports; and
iv) the value of the migrant to the UK.

3.4 Applications for nationality will be priced above the administrative costs of reaching a decision to reflect the value to the migrant of a successful application. We accept that it is difficult to attach a monetary value to citizenship, but believe that the move to British citizen status confers a number of privileges and entitlements that are highly prized.

3.5 We will continue to set fees for a number of largely transactional applications at simple cost recovery levels. Where there are pre-determined limits to the fee that can be charged, such as certain travel documents, we will set fees at these levels.

3.6 The new official level cross-Government Fees Committee will have a significant part to play in determining appropriate fee levels that support the wider Government immigration agenda.

3.7 New fees will be set out in secondary legislation before Parliament prior to implementation.

Consultation responses

Question 1: *Do you think that we should set prices flexibly to take into account wider policy objectives such as attracting international students and people on business?*

3.8 The overwhelming majority of respondents (86%) agreed that wider policy objectives should be taken into account in setting prices flexibly. Many respondents also made the point that the fees must ensure that the UK remains competitive in the world markets across all sectors. Specific examples where flexibility could be shown was within the education sector with regards to lower fees for students, and in the arts and entertainment sector where one fee for groups would benefit artists and charitable organizations. Those who thought that fees should remain set at cost recovery felt a flexible approach could lead to unwelcome subjectivity.

"Increasing the visa fees without any flexibility will not help us retain our leading position. Flexible pricing would help to promote the UK as one which embraces the diversity of incomes, lifestyles in from differing countries worldwide." British Council

"In setting prices flexibly, there will be a need to ensure that the charging system can be dynamic enough to respond to a rapidly changing landscape" NHS Employers

Question 2: *Should prices reflect a range of factors, or only those that are of value to the migrant?*

3.9 The majority (79%) of respondents agreed that the range of factors should be taken into consideration. Again this was set in the context that the UK must remain competitive. Factors to consider, that were raised by respondents, included the value of the migrant or visitor to the UK economy; purpose of stay;

length of stay; and the benefit to the migrant. Many respondents also included the comment that quality of service must match the fee.

"Pricing policy should take into account factors of value to the migrant, the UK and the receiving institutions/organizations" Universities UK

Question 3: *Do you think that applications for citizenship should be priced according to value or the costs of processing the application?*

3.10 Half the respondents (50%) felt that this should be priced at cost level which was believed to be fairer and more simplistic. A large number of respondents raised the question of how the value of citizenship can be judged.

"However we think that charging above and beyond the real and reasonably recoverable costs of processing the application will undermine important policy messages about citizenship both to persons who are UK nationals and those who were previously." Joint Council for the Welfare of Immigrants

A number of respondents who thought that price should be set according to value used the argument that the applicant for citizenship will enjoy the longer term benefits of receiving this which outweighs the costs of processing the application. A large number of educational institutions did not respond to this question, perhaps because the student route does not lead directly to citizenship.

"The longer-term benefits of gaining UK citizenship far outweigh the immediate processing costs." English UK

"Using 'value' introduces a plethora of factors that are hard to measure and subjective in nature." Department for International Development

A common price structure for IND and UKvisas?

The policy

3.11 The Home Affairs Committee recently recommended that the calculation of in-country and visa fees should be reviewed and greater alignment considered in terms of the costs that are taken into account. We believe that there remain good reasons for setting fees at different levels overseas and in-country. Market research has shown that potential migrants are more sensitive to price changes before they make the decision to apply to come to the UK, for example, than once they are already in the country and want to remain here. But we agree that there should be greater alignment between the fees charged. Under the new flexible model, we will take into account the fees for both in-country and overseas applications in determining the appropriate levels. Where this is possible, we will aim towards the same price, though the significant difference in administrative costs means that this will not be the case in all routes.

3.12 One of the objectives of the Points Based System is to produce an immigration system for work and study in the UK that acts as a coherent whole and that is joined up from end to end from the perspective of its users. Greater alignment between IND and UKVisas will support this objective.

"The key point is that fees must be attractive/competitive if we are to continue to recruit large numbers of international students to the UK." University of Nottingham

Consultation response

Question 4: With which of the following statements do you agree:
a) Fees should be set to help promote the UK as a competitive destination
b)Fees should be set according to the same principles, but might vary between the UK and overseas
c) Fees for the same service should be the same in the UK and overseas

3.13 In line with previous answers the large majority of respondents agreed with the first statement that fees should be set to promote UK competitiveness. Where we asked if fees should be set according to the same principles but might vary between the UK and overseas the majority disagreed (52%). A larger majority (64%) disagreed that fees for the same service should be the same in the UK and overseas. A popular example among education respondents was that the initial fee for a visa application should cost more than the extension while the common statement across all options, and sectors, was that fees need to be clear and transparent.

"…the UK must appear to be an attractive destination to work in for an entertainer. An entertainer will not come if the entry process is too complicated or expensive." Helter Skelter

Paying for immigration services

The policy

3.14 At present most fees are paid by migrants themselves. The exception to this is the work permit system, where responsibility for paying for work permit applications rests with the employer of the migrant. Employers may or may not also pay for the migrant's immigration decision. This system will end with the introduction of the Points Based System and will be replaced with a single decision supported by a certificate of sponsorship provided by a UK-based and

registered sponsor. We expect that the new system will make it faster and less bureaucratic for trusted employers to bring migrants to the UK.

Students coming to the UK under the new Points Based System will also need a certificate of sponsorship, and educational institutions may choose to pass the costs of this onto students, for example through tuition fees, or to absorb this cost themselves.

We do not propose making any changes to the way in which fees for immigration and nationality services are charged under the current system. We are still considering how best to implement the new sponsorship system under the new Points Based System, and will continue our dialogue with the relevant sectors to develop a process that best meets their needs and ours.

Consultation responses

Question 5: Should employers and educational institutions be able to include payment of visa fees within sponsorship and certificate fees for international employees and students?

3.15 Overall less than half of respondents agreed with this approach. However there were differences between sectors with a majority among the Employment (62%) and Arts & Entertainment (74%) sectors agreeing with inclusion of fees but only 34% agreeing in the Education sector. Where there was agreement respondents felt that this should be an option rather than a requirement but that it would make the system more simplistic. There were a number of respondents who added that this should be an option only if the employee remains with the same employer for the whole period of stay. The Education sector saw this as potentially increasing the administrative burden on institutions and raised the need to have a clear separation between institutions and the immigration authorities.

"…would welcome this flexibility to allow us to amalgamate and simplify payments, but would welcome the option to choose whether we wish to do this in each case rather than a blanket approach." Citigroup

"If they were to be paid, in some way, by institutions it would…make transfers between one sponsor institution and another more difficult - an aspect which we see as vital to the smooth operation of the new system." UKCOSA

Developing immigration services and possible impacts on small to medium-sized businesses across UK sectors

The policy

3.16 We particularly wanted to understand the implications of the proposed approach outlined in the consultation document for small and medium-sized businesses and for groups. We will build the responses into the development of the new Points Based System and the services to support this. We are clear that we need to enhance the way employers can verify the status of a potential employee, thus ensuring they meet legal requirements. We need to ensure that the new system makes it simpler for businesses to bring in legitimate migrant workers where needed and ensure compliance with the immigration laws. We also need to look at how we provide guidance to employers on the immigration rules and make sure that all information clearly states the procedures that must be followed.

3.17 We will publish a Regulatory Impact Assessment alongside the new fees for immigration and nationality services. We will also review the new charging model regularly to ensure there is no significant adverse impact on UK business from the changes.

"…members welcome any moves towards a more effective and efficient system for tackling illegal working. Working in partnership with employers needs to be a part of this." CBI

Consultation Responses

Question 6: What would help sponsors to ensure they were acting legally in bringing in particular migrants?

3.18 Common examples from the responses included:

- providing complete guidance that is easy to follow (including in plain English)
- easy, real and rapid communications (user friendly web site and consistent helplines)
- feedback on reasons for problems, infringements, refusals
- information on the progress of visa applications

"…we encourage unreservedly a reliable employer helpline to make it easier for the sponsoring organisation to confirm the immigration status of an applicant as well as for the applicant." London Organising Committee of the Olympic Games Limited

Question 7: How might any impact on small and medium-sized businesses be minimised?

3.19 Popular responses to this question included:

- support to businesses through simple guidance and access to consistent helpline advice. A specific example highlighted was for clear and coherent routes from study into work for international students so that employers are able to understand these and what they must do to recruit international graduates
- competitive prices and benchmarked against other countries
- introduce differential pricing for the non-profit sector and also a group fee for entertainers and cultural artists
- review the impact of the charging system regularly

"The impact of the new charging regime on small and medium-sized businesses could be minimised by ensuring that the application and sponsorship system is simple and easy to use." Professional Contractors Group Ltd

"Any policy decisions must present the UK as an accessible place to visit and work, with a competitive pricing structure." Virgin Atlantic Airways

Support to specialist and cultural groups and impacts on community relations

The policy

3.20 We wanted views on whether special measures would be required for cultural and specialist groups and whether any of the proposals would have an adverse impact on community relations within the UK. Under the existing Immigration Rules we do not believe that special measures are required for cultural and specialist groups. We accept that under the new Points Based

System there is potential for the introduction of individual entry clearance, for example, to impact financially on specialist groups and will keep this in consideration when setting fees for the relevant tier. A flexible pricing model allows us to take into consideration factors such as the value of the migrant to the UK and the entitlements accrued through a successful application.
Publication of fees for the Points Based System will also be accompanied by a Regulatory Impact Assessment.

Consultation Responses

Question 8: What special measures might be needed for cultural and specialist groups?

3.21 Common responses were:

- further explanation in other languages
- maintain the group application single fee
- consideration for a short term visa
- reduced fees for charitable organisations
- biometric capture and visa application should be possible at a number of locations and not restricted to home country
- keep the system clear, transparent and fair (so special measures are not required)

"A simple process for group travel, with a limited tourist visa obtainable at short notice. This would cater for last minute visits to the UK for both tourist and cultural purposes." Virgin Atlantic Airways

Question 9: Do you think that any proposals outlined would impact adversely upon community relations?

3.22 The majority of respondents to the final question either felt that the proposals did not impact on relations or did not comment. Of those who commented, a common view was that a transparent and fair system would not create an impact on relations. Respondents who felt that there may be impacts on community relations cited the potential deterrents to applicants from poorer nations if the fees are too high.

"The potential for any adverse impact of a new fees policy on particular groups needs to be closely assessed." Law Centre (NI)

3.23 Specific groups mentioned regularly included artists and short term academic visitors. A common theme however across all respondents was the need to ensure that the new pricing system is clearly communicated.

"Community relations are unlikely to be improved or deteriorate as a consequence of the charging proposals." Eversheds

4. Next steps

4.1 The new fees for immigration and nationality services will be implemented in April 2007 and from this point all chargeable applications will be subject to the new prices. Clear information will be made available to potential applicants on our websites and through our help lines.

4.2 We will review fees on a regular basis, including with the introduction of the new Points Based System, in order to ensure that they are set at levels which maintain the UK's reputation as a welcoming destination for the legitimate migrant, and so that they continue to contribute to funding the transformation of the end to end immigration system.

4.3 Further information on immigration and nationality services can be found at www.ind.homeoffice.gov.uk or www.ukvisas.gov.uk.

5. Analysis of consultation responses

Overview

5.1 340 written responses to the charging consultation were received and the overwhelming majority (335) were external to the Immigration & Nationality Directorate. Every effort has been made to make the findings representative across sectors.

5.2 The external respondents are summarised by sector in the following chart.

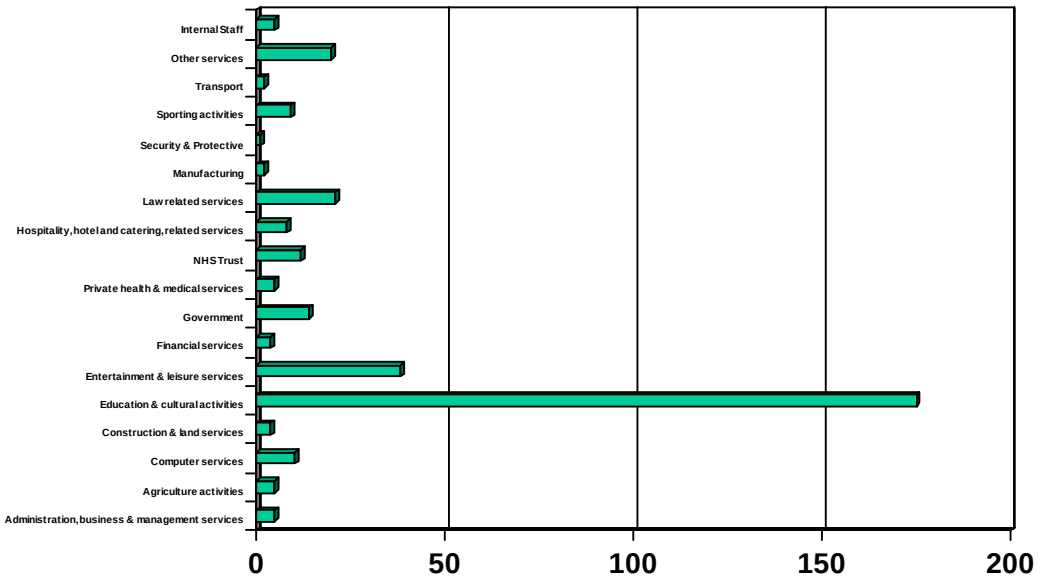


Figure 1: Characteristics of respondents

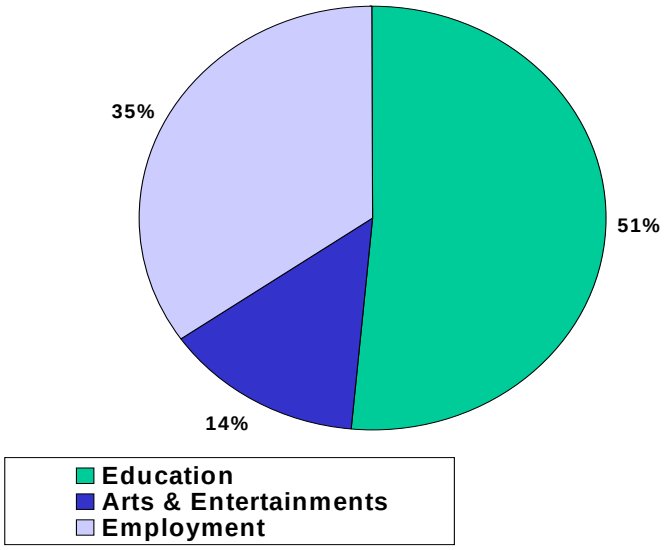


Figure 2: Respondents by sector

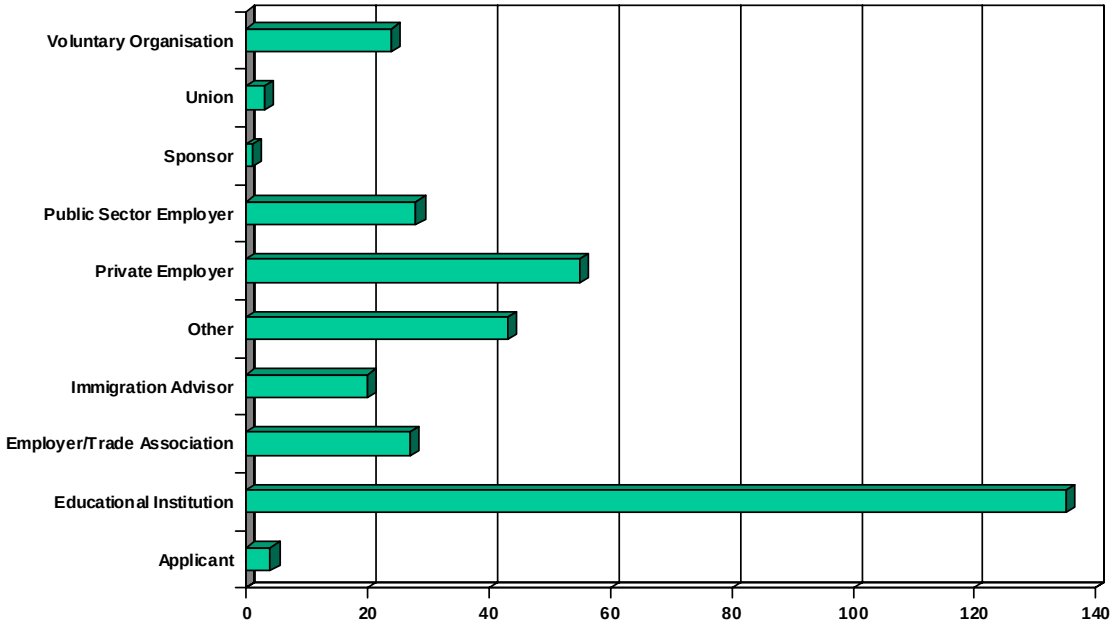


Figure 3: Respondents by category of organisation

Consultation Questions

Q1 Do you think that we should set prices flexibly to take into account wider policy objectives such as attracting international students and people on business?

Quantitative analysis

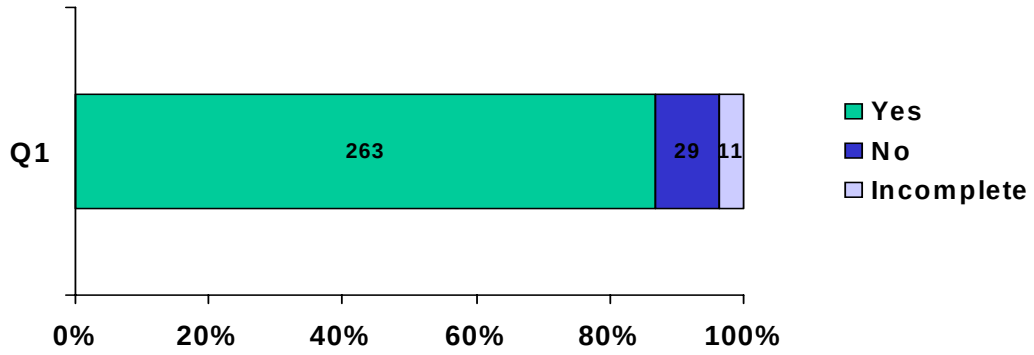


Figure 4: Question 1 responses

Qualitative summary of responses to Q 1 – key themes

5.3 The large majority of responses agreed with taking into account wider policy objectives in setting prices flexibly. Key themes included:

- Fees must ensure that the UK remains competitive to migrants for all sectors
- Key issues for the education sector include price sensitivity and meeting PMI targets
- Students, employees, artists, etc contribute significant benefits to the UK economy
- There should be a sliding scale in fees – e.g. students come to study rather than work, visits for artists are usually on a short term basis. There could also be a scale of fees based on country of origin (affordability)
- One fee for group applications would benefit both artists and charities

5.4 Responses disagreeing with the statement came largely from the Employment and Arts & Entertainments sectors. The key themes included:

- Prices should be based on recovering administrative costs to create a simple charging system
- Flexibility could lead to subjectivity in setting fees

Q2 Should prices reflect a range of factors, or only those that are of value to the migrant?

Quantitative analysis

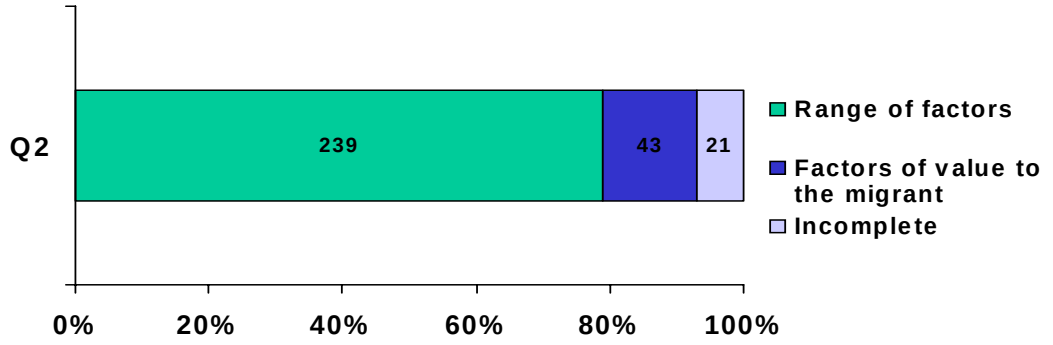


Figure 5: Question 2 responses

Qualitative summary of responses to Q 2 – key themes

5.5 The large majority of responses agreed that prices should reflect a range of factors. The key themes included:

- Fees must ensure that the UK remains competitive to migrants for all sectors
- Factors to consider include the value of the migrant/visitor to the UK economy, the benefit the migrant receives from coming to the UK, purpose of stay, length of stay, history of compliance, administrative cost of processing applications
- The quality of service and speed of decision making must match the fee being charged

5.6 Responses disagreeing with the statement were spread evenly across sectors and the key themes included:

- Prices should reflect specific factors as a wide range of factors could overcomplicate the system and be unfair to apply
- The value to the migrant is the only relevant factor and circumstances will vary for different types of migrants

Q3	Do you think that applications for citizenship should be priced according to value or to the costs of processing the application?

Quantitative summary

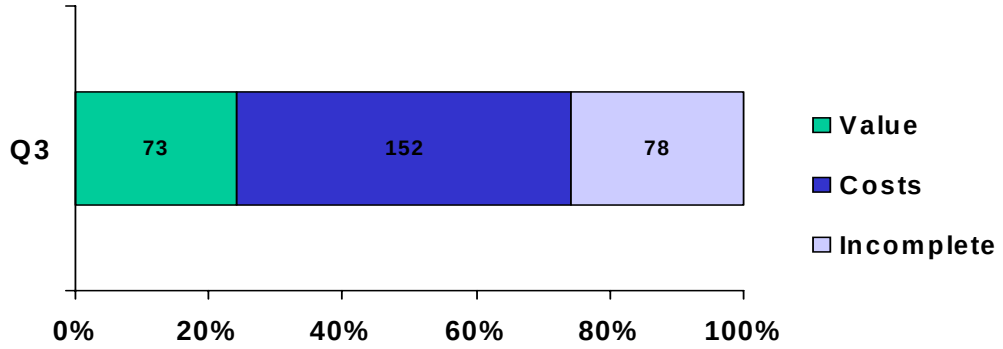


Figure 6: Question 3 responses

Qualitative analysis of responses to Q3 – key themes

5.7 Just over half of all respondents felt that citizenship should be priced according to cost. The key themes included:

- A large majority of respondents raised the question of how value of citizenship can be judged. They felt this would be a subjective approach
- A cost recovery system is fairer and more simplistic. Charging above the recoverable costs of processing an application undermines important policy messages on citizenship

5.8 A quarter of respondents felt that the price for citizenship should be set according to value. The key themes included:

- The longer term benefits of citizenship outweigh the processing costs
- Applying for citizenship is a personal choice and, in line with other countries, a higher price can be charged

Q4	**With which of the following statements do you agree?**
A	**Fees should be set to help promote the UK as a competitive destination**
B	**Fees should be set according to the same principles, but might vary between the UK and overseas**
C	**Fees for the same service should be the same in the UK and overseas**

(Respondents could choose more than one option)

Quantitative summary

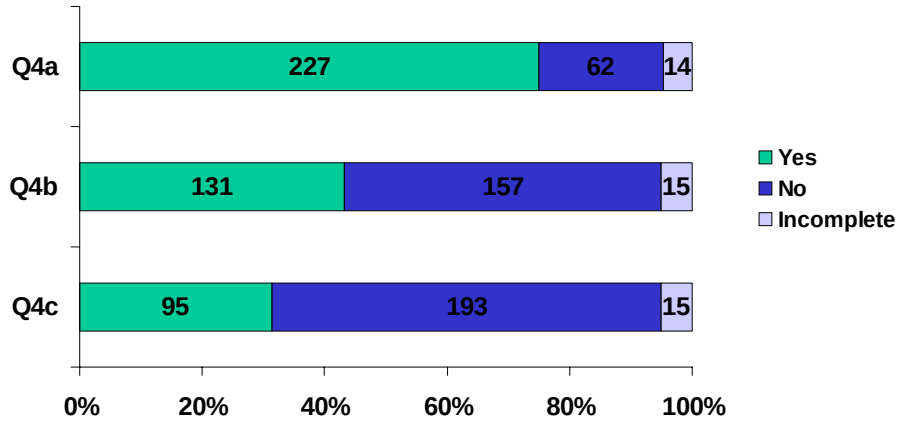


Figure 7: Question 4a, 4b & 4c responses

Qualitative analysis of responses to Q 4a, 4b & 4c – key themes

5.9 A large majority of responses agreed with statement (a) while smaller majorities disagreed with statements (b) and (c). Key themes covering all statements included:

- Fees must ensure that the UK remains competitive to migrants for all sectors
- Fees should be set to benefit the UK economy
- Fees need to be clear and transparent
- A popular example used in responses (particularly Education Sector) is that the initial fee for a visa application should cost more than the fee for extension
- Education institutions involved in the Student Batch Scheme felt that they contribute to speeding up the decision process for extensions which should merit a lower fee (for students)
- Fees in the UK and overseas should be the same in real terms – based on local income levels

Q5 **Should employers and educational institutions be able to include payment of visa fees within sponsorship and certificate fees for international employees and students?**

Quantitative summary

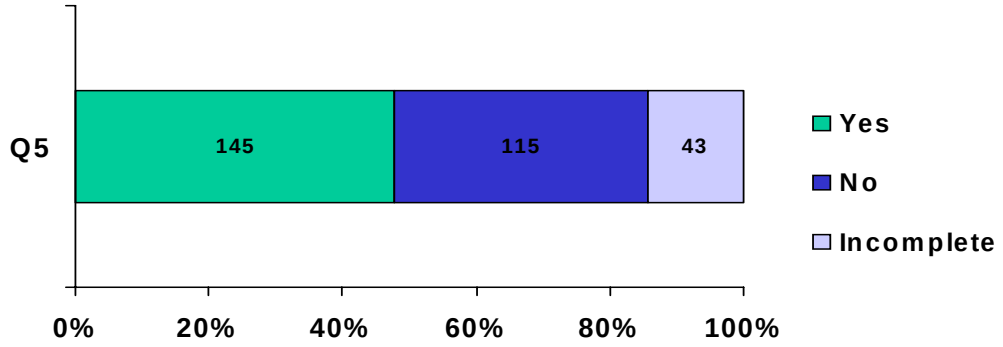


Figure 8: Question 5 responses

Qualitative analysis of responses to Q5 – key themes

5.10 Just under half of all responses agreed that employers and educational institutions should include visa fees within sponsorship and certificate fees. The key themes included:

- This approach should be an option that employers or institutions can use but not a requirement
- This approach would simplify the process and is more customer friendly
- Only if the recruited person stays with the same employer/institution for the whole period of stay
- Only if this wouldn't impose an excessive financial burden on organisations

5.11 The key themes for responses that felt inclusion should not be allowed included:

- This could increase the administrative burden on universities
- The migrant should manage their own application and there should be a clear role separation between universities and immigration authorities. Institutions have no control over the fee level or decision making process
- A popular example used is how refunds could be administered where a refusal is given or a student fails to attend

Q6 **What help would sponsors need to ensure that they are acting legally in bringing in particular migrants?**

Qualitative analysis of responses to Q6 – key themes

5.12 The following key themes were raised for this question and they are not listed in any particular order:

- Complete guidance that is easy to follow (including plain English)
- Easy, real and rapid communications. Well in advance of changes
- Facility to check identity and potential fraudulent documentation
- Accredited status for sponsors with a proven record
- Simplify the processing procedures
- No movement or transfer from original employer to another
- Dedicated support officer in the Home Office – with expertise for specific sectors
- User friendly web site and consistent help lines
- Feedback on reasons for problems, infringements, refusals
- Sharing best practice techniques in the application process
- Information on the progress of visa applications
- Clarification of what overseas qualifications are equivalent in UK
- Development of relationship with Compliance Officers and Account Managers
- Robust electronic systems to facilitate information exchange
- Allow same day express applications
- Only allow OISC regulated companies to act as sponsors on behalf of employers and educational institutions
- Credible register of sponsors
- Student visa for a particular institution
- Further consultation on the proposed level of fee

Q7 How might any impact on small and medium-sized businesses be minimised?

Qualitative analysis of responses to Q7 – key themes

5.13 The following key themes were raised for this question and they are not listed in any particular order:

- Support to businesses through simple guidance and access to consistent Helpline advice
- Numerous responses as follows – “It would be helpful for the Home Office to ensure the new immigration system provides clear and coherent routes from study into work for international students and that employers are able to understand these routes and the requirements employers will need to follow to recruit international graduates”
- Keep the regulations simple and minimise bureaucracy
- Provide a fast track service
- A group fee for entertainers and cultural artists
- Competitive prices and benchmarked against other countries
- Keep prices close to current levels. Increases could affect businesses
- Introduce differential pricing for the non-profit sector
- Review the impact of the charging system regularly
- Gradual introduction of new changes to enable training for administrative staff
- Invoice monthly and not after each certificate is issued

Q8 What special measures might be needed for cultural and specialist groups?

Qualitative analysis of responses to Q8 – key themes

5.14 The following key themes were raised for this question and they are not listed in any particular order:

- Further explanation in other languages
- Maintain the group application single fee
- Offer a 24 hour service at consulates
- Consideration for a short term visa
- Reduced fees for charitable organisations
- Biometric capture and visa application should be possible at a number of locations and not restricted to home country
- Some categories of migrant (e.g. students with a scholarship to study at educational institution) should have fees at a concessionary rate or waived
- Keep the system clear, transparent and fair (so special measures are not required)

Q9 Do you think that any of the proposals outlined would impact adversely on community relations?

Quantitative summary

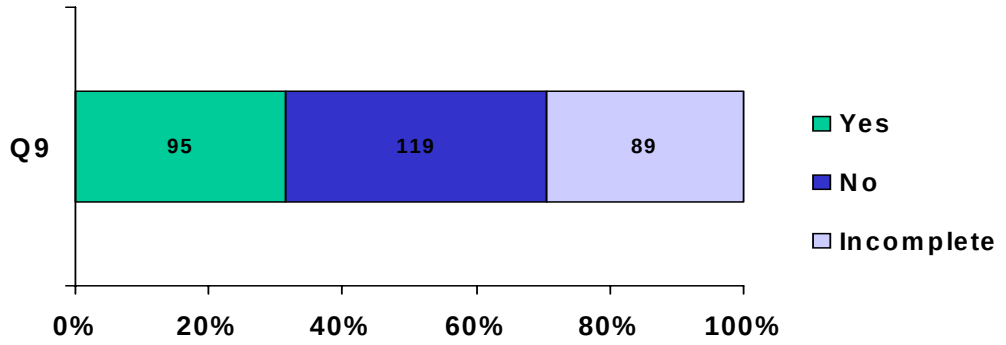


Figure 9: Question 9 responses

Qualitative analysis of responses to Q9 – key themes

5.15 For those who felt there would be an impact on community relations the key themes included:

- Increased prices will deter visits to the UK from specific groups – e.g. artists, short term academic visitors
- Higher costs will have an impact on poorer nations
- It is important that the pricing options are clearly outlined and understood
- Over complicated system could deter visitor to the UK
- The Trusted Traveller proposal could be considered discriminatory

5.16 The key themes for respondents who felt there would not be an impact on community relations included:

- Not if the system is implemented in a transparent and fair way
- Not if the changes to the system are communicated effectively
- Community relations are unlikely to be improved or deteriorate as a consequence of the charging strategy

6. Feedback from stakeholder events

6.1 The consultation exercise included contact with stakeholders through a number of sector based events over three weeks in November and December. These events covered discussion across a wide range of immigration topics beyond charging and into areas such as the Points Based System and sponsorship and the proposed Migration Advisory Committee. We welcomed hearing your views on these areas and will build the responses into the development of the new Points Based System and the services to support this. For the purposes of this document however only the issues specific to the charging consultation are included in the following sections.

Banking and Finance

6.2 Issues raised at the Banking & Finance sector event included:

- A certain amount of transparency is needed to avoid overnight changes to processes occurring
- In a global market a proper communication service should be available 24 hours a day
- There may be a different price structure for sponsors, so there should be a means test of some sort
- Issues relating to the not-for-profit sector need to be addressed

Education

6.3 Issues raised at the Education sector events included:

- Nervousness over the lack of fees contained in the consultation document
- Some objection to the principle that users of the system should pay towards enforcement and compliance
- A rise in the out of country price would disproportionately affect those students who originally came for a few months
- Is it envisaged that a solution might emerge which would involve different states having slightly different charging rates depending on the wealth of a particular economy?
- Will the charging regime be transparent to fee payers and show whether goals of increasing service levels have been achieved?
- Concerns about the timescale for rolling out changes to the procedure

Hospitality

6.4 Issues raised at the Hospitality sector event included:

- Do you intend to set the same visa price for everybody, regardless of what they are coming here for?
- No objections as long as the costs are transparent. Even though it is a cost to the business, the measure of that cost far outweighs it
- What mechanisms might be in place for an employer to recover any fees we have paid to you for an inadequate service?
- If the fee levels are going to be something similar to work permit fees and visa fees now, so we're talking about hundreds rather than thousands, then it is not a turn off for migrants to have to pay fees, and it won't make any difference as to whether they will come to the UK, go to Australia or anywhere else
- Sometimes simple isn't entirely fair, but the fees should relate to the earning capacity of the job because that's why people come here

IT and Telecoms

6.5 Issues raised at the IT and Telecoms sector event included:

- You are likely to create a massive differential between a large enterprise and a small to medium-sized company which will create a competitive advantage
- What are the fees likely to be?
- Are there any plans to put in systems to discourage employees from switching over to another company whilst they are on a work permit?

Manufacturing and Engineering

6.6 Issues raised at the Manufacturing and Engineering sector event included:

- Whatever cost it is, we are benefiting in terms of securing our factory in the UK. So whether it's £100 or £1,000, that is not important
- Is the philosophy to have the charging regime in place so it helps to control immigration in some way?
- If it were consolidated all in one application, and there's no longer going to be a two tier process, so it may be better to just have a one-off payment.
- Are we going to have people coming to make sure that we're compliant, and therefore you're going to get an administration fee?

Scottish Executive

6.7 Issues raised at the Scottish Executive event included:

- Will there be any regional consideration of the need for international competitiveness? If so, could this lead to regional pricing?
- Will there be any further consultation on fees once the fee model is produced?

- Some concern was expressed over charging for citizenship ceremonies – this was seen as a way of buying Britishness
- Concern over the impact on extensions for students. Such applications are typically for very short periods of leave and a blank charge (irrespective of length of leave) was felt to be of concern

Skilled Healthcare

6.8 Issues raised at the Skilled Healthcare sector event included:

- Are you suggesting that you would have a different pricing structure for somebody that's coming for three months as opposed to six months or two years?
- The hardest work is to really get something that is transparent and supportable and defensible? Is it not going to make it incredibly difficult for your analysts and economists to come up with a formula and get it right?
- Would a flexible fee structure take into account an increase in demand in any sort of industry like healthcare?
- Is there a thought that fees will be charged differentially based on affordability for the countries in which they're being levied?
- Seems that people who want to come legitimately and to make applications are paying for those who are seeking to enter the country illegally. And you're actually making legitimate employers, if employers are picking up the costs, pay for the enforcement system.
- On the question of whether employers and education institutions include costs in their sponsorship and certificate fees, within the NHS, it poses a big problem in terms of ethical recruitment policies where we have a policy about not passing unnecessary fees onto individuals who are seeking to come and work for us

Travel and Tourism

6.9 Issues raised at the Travel and Tourism sector event included:

- We couldn't increase the cost at the same time as introduce new things that made the customer journey more difficult and not expect to see an impact
- A short term (eg double entry) cheap visit visa would be welcomed

7. Annex A : List of respondents

A number of organisations submitted multiple responses and in these cases they are listed only once. A number of anonymous responses were also received.

ABN Amro
Academic Solutions
Academy of Oriental Cuisine Limited
Accenture (UK) Limited
Adastra-music & co
Africa Oye Limited
AHA International
Aldeburgh Music
Alva
Anglia Ruskin University
Anglo Chinese Lawyers LLP
Anniesland College
Ansari Solicitors
Arts Council England
Asgard Promotions Ltd
Association of American Study Abroad Programmes UK (AASAP/UK)
Association of Circus Proprietors of GB
Association of Camphill Communities
Association of Colleges
Association of Scotland's Colleges
Aston University
Atkins Global (Rail)
Bangladesh Caterers Association
BBC
Boarding Schools Association
Bob Patterson Agency
Boeing Operations International Inc
Borders College
Boston College of London
Boston University
Bosworth Independent College
Bourne Leisure Ltd.
Bournemouth & Poole College
Bournemouth Business School international
Bournemouth University
British Accreditation Council for Independent Further & Higher Education
British Airways PLC
British Arts Festival Association
British Council
British Hospitality Association
British Medical Association
British Phonographic Industry
British Sikh Federation
British Study Centres
Brunel University
Business in Sport and Leisure Ltd
Cambridge Folk Festival/Cambridge City Council
Capgemini UK PLC
Cardiff & Vale NHS Trust
Cardiff University

Careforce
Cavendish College
Cemex UK Services
Central College of Commerce
Central Council of Physical Recreation
Central Laboratory of the Research Councils
Centrex
CHE Hotel group plc
China Holidays
China-Britain Business Council
Christopher Shaw
Citigroup
City of London College
Claire Fothergill
Clarendon International Education Ltd
Cleveland & Co Solicitors
Clydebank College
Coda Agency Ltd
Confederation of British Industry
Cromwell Hospital
Danmirr Consultants
Dawn Ansdell
De Montfort University
Dearson Winyard
Department for Communities & Local Government
Department for Education and Skills
Department for International Development
DF Concerts
Dingwalls
Directorate of Personal Services (Army)
Diya Ojo Music Ltd
Dnotice Management Ltd
Dr. Shantenu Jha
Dudley College
Durham University
Edge Hill University
Edinburgh International Festival
Edinburgh University Students' Association
Edinburgh's Telford College
Elastics Artists Agency Ltd
Electronic Data Systems Ltd
Elmwood College
Elvis Walemba
Embassy of Indonesia
Embassy of Israel
Embassy of Japan
Embassy of the People’s Republic of China in the UK
Engineering Council UK
English UK
Ernst & Young LLP
e-skills UK
Eversheds
Faculty of Art, Design & Architecture
Federation of Poles in Great Britain
Federation of Ukrainians in Great Britain
Firmdale Hotels
First Contact Agency

Folk Arts England
Forth Valley College
FTC Kaplan
Fujitsu Services Ltd International Assignments
Genisys Software Ltd
GEOS-LTC International College
Gerry Kendrick
Glasgow College of Nautical Studies
Godolphin Management Company Ltd
Goldsmiths, University of London
Greenwich London College
Guildhall School of Music & Drama
GuildHE
Halcrow Group Ltd
Hampstead School of English
Harlequin Restaurants Ltd
HCL Great Britain Ltd
Helter Skelter
Heriot-Watt University
Hewitt Associates
High Commissioner of the Zambians
Hodson-Wren Associates
Honda of the UK Manufacturing Ltd
HOPS Labour Solutions
Hove College
Huron University (USA in London)
Ian Catchpole
Ice Hockey Players association
Immigration Advisory Service
Immigration Law Practitioners' Association
Imperial College London
Institute of Education (Univ. of London)
International Artists Managers' Association (IAMA)
International College Britain Ltd
International Dance and Music Centre
International Talent Booking
Ipswich Hospital NHS Trust
Ithaca College London Centre
Japanese Resident Association (UK)
Jazz Services
Joint Council for the Welfare of Immigrants
Kenneth Earle Personal Management
Kings College London
Kingsley School of English
Kingston University London
La Lachuza Caraca Polo BMF
Law Centre (NI)
Leeds Metropolitan University
Lillian Faithfull Homes
Liverpool Hope University
London Borough of Newham
London Buddhist Vihara
London Business School
London City College
London Deanery (NHS)
London International Festival of Theatre
London Organising Committee of the Olympic Games Ltd

London Residential Healthcare Ltd
London School of Economics
London School of Economics and Political Science
Loughborough University
Malvern House London
Mander Portman Woodward Ind College
Michael Shelton
MJ Solomon & Partners
Mrs L Costelloe Baker
National Association of Agricultural Contractors
National Association of Software and Service Companies
National Farmers Union South East
National Campaign for the Arts
National Postgraduate Committee of UK
National Union of Students
New College Nottingham
NHS Employers
NHS Fife
NHS Lothian
Nightingale Recruitment Ltd
Northumbria University
Nottingham Trent International College
Nottingham Trent University
NUS Black Students Campaign
Office of Science & Innovation (DTI)
Open University
Oxford Brookes University
Paul L. Simon Solicitors
Pembrokeshire & Derwen NHS Trust
Permits 2 Work LTD
Perth College
Peter Larkin, Active Immigration
Pitman Training
PJ Ward solicitors
Pontypridd & Rhondda NHS Trust
PricewaterhouseCoopers Legal LLP
Professional Contractors Group Ltd
Queen Mary, University of London
Raymond Gubby Ltd
Reid Kerr College
Riverside Studios
Riviera English School
Rock 'N' Roll Weekenders
Rolls-Royce Plc
Royal Automobile Club Motor Sport Association Ltd
Royal College of Physicians of Edinburgh
Royal Liverpool & Broadgreen NHS Trust
Sadlers Wells
Sangat Advice Centre
Scottish Financial Enterprise
Sebastian Merrick t/a Kazum
Scottish Executive Health Department, Workforce Directorate
Sheffield Hallam University
Sincere Consulting (UK)
SKOLA
South Chelsea College and School of English
South Thames College London

Southern Cross Healthcare
Sparrow & Trieu Solicitors
Spencer P. O'Neill
Stablemate Ltd
Stow College
Strathmore -Southend Care
T&S Immigration Services
Tata Consultancy Services Ltd
The Association of British Language Schools
The Childcare Recruitment Co. Ltd
The Chinese Takeaway Association (UK)
The Highland Council
The Institute of Economics & Political Studies
The Language Centre (University of Arts)
The London Skills Institute
The Methodist Church
The Premier League
The Robert Gordon University
The Scottish Premier League Limited
The Surgery
The Swaminarayan Hindu Mission
The Underworld
The Westwood Organisation Ltd
Theatrical Management Association
Tip Top Productions Ltd
Tourism South East
Traffic Control Group
Trans Atlantic & Pacific Alliance of Churches
TTM Service Company Ltd
Tudor College London
Turkish Consulate General
Twin Group
U&CO Kensaltown Works
UCE Birmingham
UKCOSA
Unique Events
UNISON
Universities Scotland
Universities UK
University of Aberdeen
University of Bath
University of Bedfordshire
University of Bradford
University of Bristol
University of Cambridge
University of Cambridge ESOL Examinations
University of Central Lancashire
University of Derby
University of East Anglia
University of Essex
University of Greenwich
University Of Hertfordshire
University of Hull
University of Kent
University of Leeds
University of Leicester
University of Liverpool

University of Manchester
University of Maryland
University of Notre Dame (USA) in England
University of Nottingham
University of Oxford
University of Portsmouth
University of Reading
University of Salford
University of Sheffield
University of Sheffield, English Language Teaching Centre
University of Sheffield Union of Students
University of St Andrews
University of Strathclyde
University of Sunderland
University of Surrey
University of Sussex
University of Teeside
University of the Arts London
University of the West of England
University of Ulster
University of Wales
University of Wales Institute Cardiff
University of Wales, Swansea
University of Warwick
University of Westminster
University of Wolverhampton

University of York
University Tutorial College
Urban Circus Ltd
Virgin Atlantic Airways
Visit Britain
Visual Arts and Galleries Association (VAGA)
Washington International Studies Council
West Dean College
West London College
Westminster College of Computing
Wilfred Henry Immigration Services
Work Permit.Com
Yaram Arts & Sports Ltd
York St John University