EXPLANATORY MEMORANDUM TO

THE IMMIGRATION AND NATIONALITY (FEES) REGULATIONS 2011

2011 No. [XXXX]

1. This explanatory memorandum has been prepared by the UK Border Agency of 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. Purpose of the instrument

2.1 These regulations set the fees for some of the applications, processes and services for which the Secretary of State has provided for in the Immigration and Nationality (Fees) Order 2011. The Order sets out the applications and services in connection with immigration and nationality for which a fee is to be charged. It revoked and replaced the Immigration and Nationality (Fees) Order 2007 (S.I. 2007/807), as amended by the Immigration and Nationality (Fees) (Amendment) Order 2008 (S.I. 2008/166), as amended by the Immigration and Nationality (Fees) (Amendment) Order 2009 (S.I. 2009/420), known as the "Fees Order 2007".

2.2 These 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 The fees specified in these regulations are in respect of those matters specified in the Fees Order 2011, where:

a) the fee is set at an amount above the administrative cost of making the application, in reliance on section 42(1) (as amended by section 20 of the UK Borders Act 2007 ('the 2007 Act')) of the Asylum and Immigration (Treatment of Claimants, etc.) Act 2004 ('the 2004 Act'); or

b) the fee contains an element of cross subsidisation of other applications which are to be charged below the administrative cost, in reliance on section 42(2A) (as inserted by section 20 of the 2007 Act) of the 2004 Act.

3.2 These regulations also set fees for certain consular services relating to immigration and nationality, previously dealt with in the Consular Fees Order 2010, made under section 1 of the Consular Fees Act 1980 now specified in the Fees Order 2011.

3.3 These regulations specify fees above the administrative cost of an application, process or service in line with the Government's charging 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 application types at or below cost recovery to support wider Government objectives, particularly where we believe that a cost recovery fee would be so high as to damage international competitiveness in that particular area.

3.4 Fees for the matters specified in the Fees Order 2011 which are charged at or below the administrative cost of processing are set separately, in regulations subject to the negative resolution procedure.

4. Legislative Context

4.1 Section 51(3) of the Immigration, Asylum and Nationality Act 2006 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:

a) exceed the administrative costs of determining the application or undertaking the process and;

b) 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 42(2A) of the 2004 Act enables the Secretary of State to cross subsidise between applications made for entry clearance, leave to remain, transit visas, certificates of entitlement to the right of abode in the UK, letters which confer status of the migrant in the UK, or other claims, services, application processes set out in an Order made under section 51 of the 2006 Act.

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

4.5 By virtue of section 42(7) of the 2004 Act, a draft of these Regulations must be laid before and approved by resolution of each house of Parliament.

4.6 The Secretary of State has, in prescribing fees for the applications covered by these regulations, in reliance on section 42(1) of the 2004 Act, prescribed an amount intended to exceed the normal administrative costs of determining an application and reflect the benefits that he thinks may accrue to the applicant or the person to whom the application relates, if the application is successful.

4.7 In prescribing the fees for leave to remain, entry clearance, sponsorship licences and certificates of sponsorship, the Secretary of State has, in reliance

on section 42(2A) of the 2004 Act (which was inserted as of 31 January 2008 by section 20 of the 2007 Act), prescribed an amount that is intended to cross subsidise the fees that are set at levels below the administrative cost of such applications:

a) in the case of leave to remain applications, other applications for entry clearance or for leave to remain;
b) in the case of entry clearance applications, other applications for entry clearance or for leave to remain;

c) in the case of sponsorship licences, other applications for sponsorship licences, certificates of sponsorship or confirmation of acceptance for studies;

d) in the case of Tier 2 certificates of sponsorship, other applications for certificates of sponsorship or confirmation of acceptance for studies and sponsorship licences.

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 Borders and Immigration, Damian Green MP has made the following statement regarding Human Rights:

"In my view the provisions of the Immigration and Nationality Fees Regulations 2011 are compatible with the European Convention on Human Rights."

7. Policy background

What we are doing and why:

7.1 The fees contained in these regulations are set above the administrative cost of providing the application, process or service in line with the Government's flexible charging model. By charging above the administrative cost of delivery on the application types referred to in this instrument, the UK Border Agency is able to generate sufficient revenue to secure the border and control migration for the benefit of the UK. This enables us to fund the necessary improvements to the immigration service, and also to set fees for certain application types below cost recovery in support of wider Government objectives.

7.2 Our overall aim is to ensure our fees make an appropriate contribution to the end-to-end costs of the immigration system in terms of the price paid for considering an application with respect to the interests of the UK taxpayer, who will continue to support the immigration system that brings benefits and

enrichment to this country. Our method of fee setting will continue to help to protect certain routes from significant increases and will contribute to the additional revenue needed to fund enforcement and other necessary improvements to the immigration system.

7.3 Fees are set over costs to reflect the value of the product in terms of the benefits that the Secretary of State thinks are likely to accrue to the applicant if they are successful or the process completed. Each route brings a different set of rights and entitlements to a successful applicant. For example, some routes give a successful applicant an entitlement to access the UK labour market without the need for a sponsor, an option to apply for settlement, the ability to bring in dependants who can also work without restriction, have access to benefits etc. Other routes do not bring the same entitlements to applicants (no route to settlement, can't bring dependants, sponsor required etc.) and are priced accordingly. We set fees higher for certain routes in this way to allow us to set a lower fee in others considered to be the most economically sensitive routes (visitors, workers, employers, universities' direct costs).

7.4 We have also published indicative unit costs for each application for the financial year 2011/12. The unit cost is the estimated average cost to UK Border Agency of processing each application. We have provided these costs to Parliament to ensure transparency. Although our unit costs are not fixed over the course of the financial year, publishing unit costs in this way will enable applicants to see which fees we set over cost and by how much, and which fees are set under cost and by how much. Full details are available at http://www.ukba.homeoffice.gsi.gov.uk/.

7.5 The tables below set out the current fee levels and the new proposed fees, for products that are set above cost, by these regulations:

VISA FEES

PRODUCTS	2010/11 Fees (£)	Estimated Unit Cost for 11/12	Proposed Fee for 11/12
Non PBS Visas			
Long term visit visa (up to 2 years)	245	140	265
Long term visit visa (up to 5 years)	450	140	486
Long term visit visa (up to 10 years)	650	140	702
Settlement visa	750	391	810
Settlement Visa - Dependant Relative	1,680	458	1,814
Other visa	245	163	265
PBS Visas			
Tier 1 (Entrepreneur, Investor, Exceptional Talent) - Main applicant	750	432	800
Tier 1 (Entrepreneur, Investor, Exceptional Talent) - Dependants	750	432	800
Tier 1 CESC - Main applicant	700	432	720
Tier 1 - CESC Dependants	700	432	800
Tier 1 Post Study – Main applicant	344	459	474
Tier 1 Post Study – Dependants	344	459	474

Tier 2 General, Sport & MOR - Main app	350	250	400
Tier 2 General, Sport & MOR Dependants	350	250	400
Tier 2 ICT <12 months– Main app & Dep	NEW	227	350
Tier 2 ICT < 12 months- CESC Main app	NEW	227	315
Tier 2 CESC – Main applicant	300	250	360
Tier 2 CESC – Dependants	300	250	400
Applications to the Channel Islands under Employment and Study routes attract Tier 2 & Tier 4 fees and costs respectively.			

IN UK – Leave to Remain and Nationality Fees

PRODUCTS	2010/11 fees (£)	Estimated unit cost for 2011/12	Proposed fees for 2011/12	Dependants fee
NON PBS ROUTES - Migrants in UK				
ILR Postal Main applicant	900	243	972	486
ILR Postal CESC	850	243	875	486
ILR PEO Main applicant	1,250	243	1,350	675
ILR PEO CESC Main applicant	1,100	243	1,215	675
ILR Dependant Relative Postal	1,680	299	1,814	N/A
ILR Dependant Relative PEO	2,050	299	2,214	N/A
LTR Non Student Postal Main applicant	500	418	550	*
LTR Non Student PEO Main applicant	800	419	850	425
Transfer of conditions PEO Main app	600	219	648	324
Mobile case working (Premium)	15,000	2,211	6,000 + PEO fee	N/A
Residual FLR IED Postal Main applicant	500	246	550	275
Residual FLR IED PEO Main applicant	800	148	850	425
Residual FLR BUS Postal Main applicant	850	148	1,000	500
Employment LTR outside PBS Postal	500	362	550	*
Employment LTR outside PBS PEO	800	303	850	425
Additional out of hours case working**– PEO Main applicant	NEW	n/k	300	150
EEA applications at PEO (per person)	NEW	n/k	300	n/a
Nationality applications - Migrants in UK				
Naturalisation Single ***	700	238	756	N/A
Naturalisation Joint ***	850	319	1,134	N/A
Naturalisation Spouse ***	700	238	756	N/A
Nationality Registration Adult ***	500	238	540	N/A
Nationality Registration Minor	500	238	540	N/A
Nationality Registration Multiple Minor	600	319	810	270
Nationality Right of Abode	150	150	162	N/A
* These dependant fees are below cost and are set separately, in regulations subject to the negative resolution procedure **Out of hours case working fee payable in addition to standard PEO fee *** *Additional £80 per applicant is payable to cover the ceremony fee.*				

PBS routes – Migrants in UK

PRODUCTS	2010/11 fees (£)	Estimated unit cost for 2011/12	Proposed fees for 2011/12	Dependants fee

PBS ROUTES – Migrants in UK				
Tier 1 Postal Main applicant	850	269	1,000	500
Tier 1 Postal CESC Main applicant	770	269	900	500
Tier 1 PEO Main applicant	1,150	253	1,300	650
Tier 1 PEO CESC Main applicant	1,000	253	1,170	650
Tier 1 (Post study) Postal Main applicant	550	337	594	*
Tier 1 (Post study) PEO Main applicant	850	337	918	459
Tier 1 Transition Postal Main	500	n/k	500	250
Tier 1 Transition PEO Main	700	n/k	700	350
Tier 2 Postal Main applicant	500	169	550	275
Tier 2 Postal CESC Main applicant	450	155	495	275
Tier 2 PEO Main applicant	800	169	850	425
Tier 2 PEO CESC Main applicant	700	169	765	425
Tier 2 - Postal Main (ICT <12 months)	NEW	169	350	175
Tier 2 - PEO Main (ICT <12 months)	NEW	169	650	325
Tier 2 - Postal CESC Main (ICT<12 mths)	NEW	155	315	175
Tier 2 – PEO CESC Main (ICT <12 mths)	NEW	169	585	325
Tier 4 Postal Main applicant	357	316	386	*
Tier 4 PEO Main applicant	650	316	702	351
Tier 5 PEO Main applicant	600	240	648	324
Tier 5 PEO CESC Main applicant	550	240	583	324
PBS Dependants applying separately - Postal	500	418	550	N/A
PBS Dependants applying separately - PEO	800	419	850	N/A
*These dependant fees are below cost and are set separately, in regulations subject to the negative resolution procedure.				

PBS Sponsorship Products

PRODUCTS	2011/12 Fees (£)	Estimated Unit Cost for 11/12	Proposed 11/12 fees (£)
Tier 2 Large Sponsor Licence	1,000	1,007	1,025
Tier 2 Certificate of Sponsorship	170	172	175

7.6. The following paragraphs explain where we have set fees above cost, by these regulations.

Long term visit/Other visas

7.7 Long term visit visas are issued to frequent travellers, and entitle the applicant to visit the UK as often as they like over the two, five or ten year period granted, staying for a maximum of six months on any single visit. Applicants benefit from the convenience of not having to make multiple visa applications, each requiring their biometrics to be taken.

7.8 We believe this route continues to offer excellent value to the customer. We believe that fees of £265 / £486 / £702 better reflect that value.

7.9 The ‘Other’ visa category includes dependants of applicants who entered under old employment visas such as business visitors, and parents of an European Economic Area (EEA) national child. The ‘Other’ visa fee still compares well to other visa routes. We propose an increase from £245 to £265 to better reflect the value of this route to successful applicants.

Settlement applications

7.10 We propose an increase to family settlement visa fee from £750 to £810. This better reflects the value of a route to permanent settlement under this category of visa. In addition, some applicants need not apply for further temporary leave to remain in the UK before settlement. This fee will also align better with fees we charge on economic routes, where applicants pay separately for a visa and any further leave to remain in the UK.

7.11 Also within this category is the Dependant Relative settlement visa. This category allows parents, grandparents, and certain other dependant relatives to join family members settled in the UK. This is a relatively small group of people who receive an extremely good package of benefits (i.e. indefinite leave to enter, exemption from English language requirements etc.). We have set the fees for this visa at £1,814 up from £1,680 to reflect the significant benefits associated with this route.

Tier 1 and Tier 2 applications

7.12 Tier 1 applications are from migrants who are highly skilled and do not require a sponsor under PBS. They are not required to have a confirmed job from a registered UK employer and they have unlimited access to the labour market. This category includes migrants under the new exceptionally talented scheme which will be introduced on 6 April 2011 as part of the changes to migration policy.

7.13 For Tier 1 visas, we propose a fee of £800 up from £750 for overseas applications and for in UK applications, a fee of £1,000 up from £850. We have set a higher than 8% increase for in UK applications because economic migrants under this route obtain a particularly good set of entitlements. We believe this justifies the higher fee. Dependants of applicants under this route also get unrestricted access to the UK labour market.

7.14 Tier 2 migrants are sponsored skilled workers who come to the UK to work for a named sponsor. This category allows people coming to the UK with a skilled job offer to fill a gap in the workforce a settled worker cannot fill. Migrants under this route obtain a good set of entitlements also. They can work in the UK for an employer who has sponsored them, and their dependants have unrestricted access to the labour market.

7.15 For Tier 2, we propose increasing the fee from £350 to £400 for overseas applications and the fee for an in UK application from £500 to £550. We have also introduced a new lower fee of £350 for Tier 2 ICTs entering the UK and remaining for less than 12 months. These new fees better reflect the value of the entitlements that applicants benefit from.

7.16 A fee waiver is being introduced for Tier 2 migrants who were had leave to remain under the work permit scheme when Tier 2 of the Points Based System was introduced, which replaced that scheme. Migrants in this position were given leave to remain under Tier 2 of the Points Based System. These migrants will not have to pay a fee to extend their leave to remain under Tier 2 if they meet all of the following criteria:- i) they applied for, and were granted, Tier 2 leave through the transitional arrangements in place for former work permit holders and other former categories; ii) their current Tier 2 leave is due to expire before they have had five years continuous leave in any combination of these categories; iii) their employer wishes them to continue working in the same job and for the same employer that their current Tier 2 leave was granted for; and iv) their last grant of Tier 2 leave must have been granted for the maximum length of three years.

Tier 4 applications

7.17 Tier 4 applications allow a migrant to embark on a course of study in the UK, or continue to study in the UK with a licensed sponsor on the register of approved sponsors.

7.18 We propose an increase to the fees for Tier 4 in the UK to £386 up from £357. This is in line with our policy to set fees fairly across all routes at a level that reflects the real value of a successful application to those who use this service. We think that spreading the fee increases equally where possible is the right way to achieve this.

7.19 We do not want application fees to deter prospective students from studying in the UK. We consider visa application fees paid by students to be of marginal consideration (less than 1%) when set against the broader costs they will encounter should they choose to come to the UK to study – including the tuition fees, which are on average £10,000 per foreign student per year in Higher Education and living costs.

Nationality applications

7.20 Nationality applications are for migrants who want to become British Nationals. The fees we charge for these applications are set at levels above normal cost recovery to reflect the entitlements and benefits to applicants. For example, successful applicants under this route have the ability to apply for a British passport that provides them with free movement rights within the European Economic Area (EEA) and allows them to live and work in any part of the European Union EU). We propose increasing the fee for Nationality applications by approximately 8% to help spread the overall burden of fee increases across all routes. We propose a new fee of £756 up from £700 for single applicants and a fee of £1,134 up from £850 for joint applicants.

7.21 In addition, we are introducing a fee of £540 to process requests for British citizenship for children who are born outside the UK to a foreign or Commonwealth parent who is serving outside of the UK as a member of the Armed Forces at the time of the birth. We have set the same fee for requests

for British citizenship for children born in the United Kingdom to a foreign or Commonwealth parent after 13 January 2010, if the parent joins the armed forces after the child's birth. Both these new routes will give children the option to register their nationality as British. We have aligned the fee to the registration fee paid by other minors.

7.22 We are also introducing a fee to determine applications for registration and renunciation of the British Protected Person status. This applies to people connected with a former British protectorate or protected state who did not acquire the citizenship of the territory concerned when British protection ceased. They do not have the right of abode in the UK. This service is new to the UK Border Agency and was previously provided by the Foreign and Commonwealth Office. We are introducing for a fee for this service which is in line with what we charge for other types of nationality applications.

Dependants applying to extend their leave in the UK

7.23 We are increasing the fee paid by dependants for applications made in the UK to 50% of the main applicant's fee. Prior to April 2010, we processed these applications free of charge if they were submitted at the same time as the main application. In April 2010, we introduced a nominal dependant's fee of 10% of the main applicant fee and subsequently increased this to around 25%. We aim to reconcile our UK-based application fee structure with those we apply for visas, where individuals applying from overseas (including dependants) each pay a separate fee.

7.24 We believe this is the right model because each application bears an additional processing cost to us and may confer successful applicant with an independent set of rights and entitlements. This new fee of 50% helps us further move towards the same fees model we apply overseas in a phased way. We will monitor volumes to manage this transition carefully.

Indefinite & limited leave applications

7.25 Leave to remain is permission to stay in the UK either temporarily (known as limited leave to remain) or permanently (known as indefinite leave to remain). We set fees for these applications at levels above normal cost recovery, to reflect the entitlements and benefits granted to an applicant on a successful application.

7.26 Indefinite leave to remain (ILR) applications are for migrants currently in one of the eligible immigration categories (like Tier 1, or Tier 2 for example) who have been living in the UK in that category for five years. This differs from Nationality applications, which may apply to those who apply for British Nationality. Limited leave applications cover various categories for example, residual cohorts of work permit leave applications (migrants working in the UK before the Points Based System was introduced) and applications for employment outside the Points Based System.

7.27 Migrants under the indefinite leave to remain category obtain more valuable entitlements. They have unrestricted access to the UK labour market and can remain in the UK permanently without the need to make any further applications. To reflect these benefits, we propose increasing the fee for ILR to £972 up from £900. We have increased fees for limited leave to remain fees (LTR) to £550 up from £500 to bring these fees in line with the fees for Tier 2 applications which have similar benefits.

Applications made at a Public Enquiry Office of the UK Border Agency

7.28 We propose an increase to the fees for applications made in person at a Public Enquiry Office in the UK. We believe the increases reflect the added benefit customers receive from this optional service, that enables them to get a quicker decision than if they applied by post. The proposal is in line with our strategic approach to help spread the overall burden of fee increases across all routes.

European Economic Area (EEA) Public Enquiry Office facility

7.29 We are extending the facility for an applicant to attend a Public Enquiry Office by appointment for EEA applications. We have set the fee for this service at £300 to reflect the fee charged for appointment at a Public Enquiry Office for other routes. This is an optional service and is introduced to offer more choice to the applicant. EEA applicants will continue to be able to make postal applications free of charge.

Additional out of hours case working service

7.30 We propose introducing a new premium rate service charge in excess of the standard Public Enquiry Office service to process applications out of usual office hours.

Council of Europe Social Charter fee reductions

7.31 We have maintained reduced fees for nationals of countries that have ratified the Council of Europe Social Charter 1961 (the CESC), for applications for leave to remain in the UK under work routes. These reduced fees will apply to nationals of Croatia, the Former Yugoslav Republic of Macedonia, and Turkey.

7.32 We have used this opportunity to correct an anomaly where we were offering fee exemptions for Tier 2 Certificate of Sponsorship to Council of Europe Revised Social Charter countries (CRESC) as well as the CESC countries and now limited this exemption to one the CESC countries.

Fees for sponsorship under the Points Based System

7.33 In line with our approach to set fee levels flexibly, we have taken into account the needs of UK businesses at the present time. We have kept rises in sponsor fees under the Points Based System in line with inflation. We propose a new fee of £1,025 up from £1,000 for a sponsorship licence and a fee of £175 to process Tier 2 Certificate of Sponsorship applications. In addition, fees concessions for small businesses and charities who sponsor migrants have

been kept at or below administrative cost in regulations subject to the negative resolution procedure. This is in recognition of the importance of keeping direct costs to sponsors under the Points Based System as low as possible, particularly in the current economic climate.

Mobile case-working Service Premium

7.34 We piloted this bespoke service from April 2010 at a fee of £15,000 for each application processes using our mobile case-working facilities. This service is an optional service provided at a location determined by the customer (e.g. their home, or workplace). Based on feedback received, we are revising the fee to £6,000, plus the relevant Public Enquiry Office fee (dependent upon the type of application being made). This is in line with responses to our consultation that supported the development of optional premium services. We will limit this facility to ten customers per visit.

Consular fees

7.35 The Fees Order 2011 enabled UK Border Agency to move fees for certain consular services relating to immigration and nationality from the Consular Fees Order 2010 with the aim of simplifying legislation. Those fees which are set above administrative cost are included in these Regulations. Once these Regulations come into force these fees will removed from the CFO Order to avoid duplication. The UK's numerous posts overseas enable us to provide services on behalf of any of the Crown Dependencies such as the Isle of Man and Channel Isles, and certain Commonwealth or British Overseas Territories. These services include the processing of visa applications or the forwarding of documents.

- **Consolidation**

7.36 These Regulations revoke and replace the Immigration and Nationality (Fees) Regulations 2010 (S.I. 2010/2807) to improve their legibility for all stakeholders, customers, practitioners and officials.

8. Consultation outcome

8.1 We published a full public consultation on Charging for Immigration and Visa Applications between 1 September and 1 December 2009. Over 90% of respondents agreed that UK Border Agency should continue to set fees flexibly by taking into account wider policy objectives, such as attracting specific groups of migrants that are beneficial to the UK. We published the formal Government response to the consultation on 14 January 2010 on the UK Border Agency website at http://webarchive.nationalarchives.gov.uk/20100422120657/http:/www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/charging09/.

8.2 Other consultation exercises on fees and charging have taken place. A targeted consultation exercise on fees and charges to support the Points Based System and for biometric identity documents was held from 24 October to 9 November 2007. We consulted key stakeholders, based around – but not limited to – the membership of the UK Border Agency's existing stakeholder taskforces which include representative bodies and umbrella organisations.

UK Border Agency used feedback from this exercise to set fees for the new services first provided to migrants and sponsors under the Points Based System in 2008.

8.3 We conducted a full public consultation exercise on charging for immigration and nationality applications between 30 October and 22 December 2006, supported by the publication of a *consultation on a new charging regime for immigration & nationality fees*. The formal Government response to that consultation was published on 7 March 2007, and is available on the UK Border Agency website at: http://webarchive.nationalarchives.gov.uk/20100422120657/http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/newchargingregime/

8.4 This consultation established the principle that the UK Border Agency should operate a flexible pricing approach to setting fees for immigration services. This allows fees to be set taking into account the need to maintain the UK's international competitiveness. But also to ensure that the immigration system overall can generate sufficient level of revenue from income for services provided (alongside the costs met by the UK tax payer) to fund necessary improvements. The majority of respondents to the consultation agreed we should set fees flexibly to take into account wider policy objectives and that new fees should reflect a range of factors, not only those of value to the migrant.

9. Guidance

9.1 We will announce details of the new fee levels and their commencement dates to Parliament in a Written Ministerial Statement. Full details of each fee and guidance to general members of the public on how to apply under each route will be available on the UK Border Agency website in due course.

10. Impact

10.1 A full impact assessment is attached at Annex A to this Explanatory Memorandum and will also be published at www.ukba.homeoffice.gov.uk.

11. Regulating small business

11.1 The legislation does not apply to small business.

12. Monitoring & review

12.1 We will closely monitor the impact of fees for the application and services contained in these Regulations. We review fees and charges for Immigration and Nationality applications annually. UK Border Agency monitors application trends on a monthly basis. The cross-Whitehall fees committee monitor analysis of application trends to ensure that fee levels generate

sufficient revenue to cover UK Border Agency delivery costs but do not adversely impact on the UK economy.

13. Contact

13.1 Shola Akinyamoju at the Charging Programme of the UK Border Agency, Tel: 0208 760 2716 or email: Shola.Akinyamoju@homeoffice.gsi.gov.uk who can answer any queries regarding the instrument.

Title:	Impact Assessment (IA)
Impact Assessment for The Immigration & Nationality (Fees) Regulations 2011	**IA No:**
Lead department or agency: UK Border Agency	**Date:** 10/02/2011
Other departments or agencies: N/A	**Stage:** Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: Charging Policy Team, Vulcan House, PO Box 3468, Sheffield S3 8WA

Summary: Intervention and Options

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

UK Border Agency must ensure that there are sufficient resources to secure the UK Border and reduce migration. Government intervention is necessary to ensure a balanced budget. The Home Office budget will be reduced by 23% in real terms over the next four years, and there will be fewer fee-paying migrants as policy change to limit on migration comes into effect. After efficiency savings of £500m over 4 years have been factored, at current fee levels, we estimate an income shortfall of £80-90m in the financial year 2011-12. To address this, and as part of the Spending Review, HM Treasury has agreed that an increased contribution is to be made by migrants who benefit directly from the services offered by the UK Border Agency.

What are the policy objectives and the intended effects?

The specific policy objective of this legislation is to generate sufficent income to ensure the UK Border Agency has a balanced financial plan for the financial year 2011-12. The objective is to ensure that the UK Border is secured and that public confidence in the immigration system is maintained. The Government's general policy objectives on UK Border Agency fees are: (1) that those who benefit directly from our immigration system (migrants, employers and educational institutions) contribute towards meeting its costs, reducing the obligation on the taxpayer; (2) that we simplify the fees system where possible, aligning fees where entitlements are similar; (3) that we set fees fairly, at a level that reflects the real value of a successful application to those who use the service.

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

Option 1: To increase fees from the common commencement date in April 2011, to ensure service provision is maintained. The proposed fee increases under Option 1 are presented in Annex 3.

Option 2: Do nothing, maintain fees at current levels. Reduce UK Border Agency's service provision to secure the UK Border and reduce migration.

Option 1 is preferred. This gives the UK Border Agency greatest assurance and the longest timespan in which to generate the revenue needed during the financial year 2011-12. This option is consistent with the Government's priority of reducing net migration to the UK, and also meets the UK Border Agency's general fees policy objectives.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 4/2012	
What is the basis for this review? Not applicable. **If applicable, set sunset clause date:** Month/Year	
Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes

SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

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

Signed by the responsible Minister: Damian Green Date: 24.02.11

Summary: Analysis and Evidence

Policy Option 1

Description:

Increase fees for most applications to rise by 8% to spread the burden of fee increases across all routes, increase in-UK Dependant fee to 50% of main applicant & better align fees in-UK & overseas.

Price Base Year 2011	PV Base Year 2011	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: -103.3	**High:** 112.6	**Best Estimate: 21.7**

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.0	0	56.1	**262.2**
High	0.0		0.0	**0.0**
Best Estimate	0.0		24.4	**113.9**

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

Lost output due to fewer migrants working in the UK is estimated to cost £80.7m (PV). Lost tuition fees are estimated to cost educational establishments £33.0m (PV). UKBA is estimated to lose £0.2m (PV) from a reduction in out of country applicants as a result of the fee change. Costs exclude transfers between in country applicants and UKBA.

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

Risks to UK economy of significant impact on volumes.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	0	34.0	**158.9**
High	0.0		24.1	**112.6**
Best Estimate	0.0		29.0	**135.6**

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

UKBA's revenue will rise by £112.5m (PV) as a result of higher visa fees paid by those out of country applicants who continue to apply. Fewer migrants coming to or remaining in the UK to work, study or visit will lower UKBA's processing costs by £1.0m (PV). Fewer students studying at UK educational establishments will lower the cost of delivering tuition by £22.1m (PV). Benefits exclude transfers between in country applicants and UKBA.

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

Public confidence in secure borders and that migration is controlled for the benefit of the UK. Fee changes are expected to reduce the numbers of migrants coming to or remaining in the UK by around 700, of whom around 400 are Tier 4 migrants. The proposed fee changes are therefore not expected to result in significant savings in terms of public service costs.

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

Price elasticity of demand for Higher Education of -1 is used for Tier 4 in country applications and Tier 4 permission to change course. Price elasticity of demand for foreign business flights to the UK of 0.0 is used for long term visit visas. Wage elasticity of labour supply of 0.5 is used for all other products (including Nationality products, ILR products, Tier 1 visas and in country products and Tier 2 visas and in country products).

Different assumptions for elasticties are used to obtain a range of NPVs for this policy.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 0.0	**Benefits:** 0.0	**Net:** 0.0	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			United Kingdom		
From what date will the policy be implemented?			06/04/2011		
Which organisation(s) will enforce the policy?			UK Border Agency		
What is the annual change in enforcement cost (£m)?			N/A		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			N/A		
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** 0	**Non-traded:** 0	
Does the proposal have an impact on competition?			No		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			**Costs:** 0	**Benefits:** 0	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	**Micro**	**< 20**	**Small**	**Medium**	**Large**
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on…?	**Impact**	**Page ref within IA**
Statutory equality duties[1] Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

[1] Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation or publication
1	http://webarchive.nationalarchives.gov.uk/20100422120657/http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/charging09/
2	http://webarchive.nationalarchives.gov.uk/20100422120657/http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/pbsdocs/
3	http://www.opsi.gov.uk/stat
4	http://213.225.136.78/sitecontent/documents/aboutus/fees-wms-ia/

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y_0	Y_1	Y_2	Y_3	Y_4	Y_5	Y_6	Y_7	Y_8	Y_9
Transition costs	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A
Annual recurring cost	24.4	24.4	24.4	24.4	24.4	N/A	N/A	N/A	N/A	N/A
Total annual costs	24.4	24.4	24.4	24.4	24.4	N/A	N/A	N/A	N/A	N/A
Transition benefits	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A
Annual recurring benefits	29.0	29.0	29.0	29.0	29.0	N/A	N/A	N/A	N/A	N/A
Total annual benefits	29.0	29.0	29.0	29.0	29.0	N/A	N/A	N/A	N/A	N/A

* For non-monetised benefits please see summary pages and main evidence base section

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

The UK Border Agency currently recovers approximately 30% of its total running cost through fees on visas, nationality and immigration applications. For 2011/12 the UK Border Agency estimates that 36% of its costs will be recovered through fees. The rest of the costs are met by the UK taxpayer. In order to ensure that the system is fair and equitable, we believe it is right that those who use and benefit directly from the UK migration system make an appropriate contribution to meeting the costs and thereby reduce the burden on the UK taxpayer.

The Home Office budget will be reduced by 23% in real terms over the period of the recent Comprehensive Spending Review (CSR). Over the next four years, our financial planning requires the UK Border Agency to deliver the maximum amount of fees income agreed with HM Treasury under the CSR. For 2011/12 this income figure is £829 million; for 2012/13 it is £868 million; for 2013/14 it is £850 million; for 2014/15 it is £853 million. Any income generated above this amount is surrendered to HM Treasury's Consolidated Fund for Extra Receipts. If we retain the fees at current levels, the impact of policy changes for limiting migration results in a forecast income shortfall of approximately £80-90m in the financial year 2011/12.

The UK Border Agency is already seeking to offset this income gap with efficiency savings – over £500m over the life of the Spending Review - but these will not be enough. To address this income shortfall and ensure there are sufficient resources to secure the UK Border and control migration, the Agency will need to increase fees for the financial year 2011/12. We did have a choice over timing of fee increases.

During the annual fees review, we considered delaying fee increases until October 2011, to give a full 12 months gap since the last changes to fees. However, delaying the proposed increases until October would, by necessity, mean far greater increases than amending fees in April. This is because of the gearing effect of needing to generate the same amount of income to address the budget shortfall, but from a smaller cohort of migrants – those applying from October 2011 to March 2012. The Agency's income is greatly affected by seasonality, with the majority of applications for visit visas and student visas being made before October. We wish to manage the scale of fee increases, and continue to align fee levels with the benefits received by applicants. This means our preference is to amend the fees in line with the April Common Commencement date. We consulted officials in other Government Departments on the Home Affairs Committee and they agreed that smaller fee increases in April were preferable to much larger fee increases in October. Hence this impact assessment focuses on the option of April fee increases.

In principle it is right that those who benefit most from the border and immigration system should bear a higher share of the burden of running the system than the 30% currently paid. Therefore we should continue to seek a shift in the funding provided by migrants to deliver the border and immigration system with a consequent reduction in the burden on UK taxpayers.

We believe there are no realistic non-regulatory options that will ensure the UK Border Agency has sufficient resources to secure the UK Border. Significant efficiency savings are being made, and increasing the contribution made by the taxpayer is not an option in the current financial climate.

We set fees based on a number of factors, working within strict financial limits agreed with HM Treasury and Parliament. We currently set fees flexibly, setting some fees above the cost of delivery, to reflect the value of the product. Charging above the cost of delivery helps to raise the revenue required to fund the overall immigration system and to cross-subsidise fees below cost for certain other immigration routes where a lower fee supports wider government objectives (e.g. a lower short term visit visa fee maintains international competitiveness and supports tourism).

This year, we are introducing changes to the UK migration system to limit net migration. This will result in a reduction in the numbers of fee-paying migrants that are able come to the UK. In developing

proposals to address the income shortfall, we have sought to limit increases on what we believe to be the most economically sensitive route of all, short-term visit visas, so as to avoid any broader economic impact. With the legislation associated with this impact assessment, we take the opportunity to reduce the complexity of existing legislation as well as to provide us with the legal power to charge for several new funding streams.

A.2 Groups Affected

No specific groups are affected by these changes, but all migrants wishing to come to or remain in the UK, for the purpose of visit, work, study, family, settlement, marriage or other reasons are required to pay the appropriate fee associated with their application.

A.3 Consultation

Within Government

We work and will continue to work within strict financial limits agreed with HM Treasury. Our fees proposals, income envelope and cost base is set by HM Treasury.

The cross-Whitehall Fees Committee, made up of officials from Government Departments represented on the Home Affairs Committee, then consider our proposals. Proposals are assessed in the context of broader government objectives, including the UK's attractiveness in key markets (such as visitors) to ensure we maintain a balance between the UK Border Agency's need to recover its costs, and keeping our fees at fair and sustainable levels.

Our fees package is then finally signed–off (before it can be laid and debated in Parliament) through a formal Home Affairs Committee clearance process, which is a Cabinet Committee headed by the Deputy Prime Minister.

Public Consultation

We published a full public consultation on Charging for Immigration and Visa Applications on 1 September 2009 and contacted over 30,000 stakeholders. The consultation ran for 12 weeks until 1 December 2009 and we received a total of 98 responses. This represents the lowest response rate on a charging consultation, despite a high level of engagement and communication on behalf of the UK Border Agency.

In response to our consultation, an overwhelming majority of respondents who replied (over 90%) agreed that UK Border Agency should continue to set fees flexibly by taking into account wider policy objectives, such as attracting specific groups of migrants that are beneficial to the UK.

The formal Government response to the public consultation was published on 14 January 2010 at the UK Border Agency website http://webarchive.nationalarchives.gov.uk/20100422120657/http:/www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/charging09/.

Several other consultation exercises on fees and charging have taken place. A targeted consultation exercise on fees and charges to support the Points Based System and for biometric identity documents was held from 24 October to 9 November 2007. We consulted key stakeholders, based around – but not limited to – the membership of the UK Border Agency's existing stakeholder taskforces which include representative bodies and umbrella organisations. We set out a number of proposals in a letter sent to 493 bodies and individuals which received 132 written responses. We met with 119 individuals at consultation meetings. Further details are available on request. Feedback from this exercise was used to set fees for the new services first provided to migrants and sponsors under the Points Based System in 2008.

A full public consultation exercise on charging for immigration and nationality applications was undertaken from 30 October to 22 December 2006, 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 3,000 people. The formal Government

response to the public consultation was published on 7 March 2007, and is published at: http://webarchive.nationalarchives.gov.uk/20100422120657/http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/newchargingregime/

The consultation established the principle that the UK Border Agency should operate a flexible pricing approach to setting fees for immigration services. This allows fees to be set in order to maintain competitiveness where needed, but also to ensure that the immigration system overall generates the revenue needed, rather than seeking to fund necessary improvements via general taxation. 87% of respondents to the consultation agreed we should set fees flexibly to take into account wider policy objectives and 79% agreed that new fees should reflect a range of factors, not only those of value to the migrant.

B. Rationale

We want to make sure that the fees we charge for nationality and immigration services are set at the correct levels to contribute adequately towards the costs of running the immigration system. The financial constraints on public spending mean we need to act now to ensure UK Border Agency can continue to generate sufficient revenue to operate effectively. We need to be able to fully support the immigration system, maintain public confidence, and ensure that migration is managed for the benefit of the UK. We also need to manage the risk to UK Border Agency's income so that we balance these factors with the interests of the general UK taxpayer.

C. Objectives

The Government's policy objectives on charging for immigration are:

- That those who benefit directly from our immigration system (migrants, employers and educational institutions) contribute towards its costs, reducing the obligation on the taxpayer;
- That we simplify the fees system where possible, aligning fees where entitlements are similar;
- That we set fees fairly, at a level that reflects the real value of a successful application to those who use the service.

These proposed increases build on the existing UK Border Agency fees policy and supports broader UK Government policy objectives (for example, to reduce net migration to the UK while attracting the brightest and the best).

We have used this opportunity to simplify the fee structure and better align some of the inconsistencies between in-UK and overseas fees for the same services.

This Impact Assessment examines the costs and benefits of the different options considered for the fees for:

1. Settlement visas
2. Long Term Visit & Other Visas
3. Tier 1 Visa & in-UK applications
4. Tier 1 Post Study Worker visas and in-UK applications
5. Tier 2 visa and in-UK applications
6. Tier 4 in-UK applications
7. In-UK Indefinite & Limited Leave Applications
8. Nationality
9. In-UK Dependant Applications
10. Tier 4 – Permission to change course

This covers all of the UK Border Agency's main charged services where the fee is set above cost. These are the fees where the Agency charges more than the cost of the service in order to ensure that users of the immigration system (migrants and sponsors) pay an appropriate share of the total costs of that

system whilst also enabling some fees to be set below cost-recovery levels. For 2011/12 the 'appropriate contribution' has been set at about 36% under the terms of the Home Office Spending Review.

Where fees have been set below cost this is generally to support wider Government objectives. For example on tourist visas, where the fee is set at roughly half the level of cost recovery to help encourage visitor numbers, and on PBS Sponsorship fees for SMEs and charities. This principle was tested and established during a full public consultation in 2006, and has been endorsed in subsequent consultations since then (in 2007 and 2009).

We have not included fees covered by the Council of Europe Social Charter and Tier 1 (Transition) applications. Volumes under these routes are negligible and we have therefore assumed them to be zero. We have only looked at fees where the proposed increase is above inflation (3.1% CPI for the year ending Q3 2010). Finally we have focussed on the Agency's mandatory postal application routes – we have not included optional premium services offered to those applicants as a variation of the standard service (e.g. same-day applications made at a Public Enquiry Office).

For most charged services, we calculate that an approximate 8% increase is required to address the income shortfall in the financial year 2011-12. Unless stated otherwise, this increase has been spread equally across all fee streams, as this has been judged the fairest approach to all applicants.

Settlement Visas

The settlement applications are for the husband, wife, civil partner or unmarried/same-sex partner and family members of a British citizen or someone who is settled here.

The fee will also apply to the spouse, civil partner, unmarried/same sex partner or children of a refugee or person with Humanitarian Protection, provided that the family relationship arose <u>after</u> the sponsor left his or her home country to seek protection in the UK. At present, the spouse/partner and children of a refugee or person with Humanitarian Protection who formed part of the family <u>before</u> he or she fled to the UK may be admitted without paying a fee, and this will continue. However, there is no category in the Immigration Rules for "post flight" family members. In order better to regulate the entry of these "post flight" family members, UKBA intend to create a category for them in the Immigration Rules, to which the settlement visa fee will apply.

We propose an increase to £810 for a settlement visa from current level of £750. This represents approximately 8% increase. This increase is in line with the proposals for fees paid under economic routes into the UK and reflects the value of the benefits of this route (i.e. accelerated and sometimes immediate rights to permanent settlement in the UK).

Where settlement visa applicants are not immediately granted indefinite leave, we still believe it is right to set the fee at this level. This reflects the benefits of an accelerated route to settlement under this category of visa.

Settlement Visas - Dependant Relative

This category cover a small group of migrants that allows parents, grandparents, and certain other relatives over the age of 18 to join family members who are already settled in the UK. This group of people receive an extremely good package of benefits (i.e. indefinite leave to enter, exemption from English language requirements etc). We also recognise that many of the people who come to the UK under this route have a disproportionately high demand for public services such as health and social welfare, and we think it is right that those benefits are reflected in the price.

We propose an increase to £1814 from the current level of £1680. This represents approximately 8% increase, to help spread the burden of fee increases across all routes.

Long Term Visit Visas & Other Visas

These allow applicants to make multiple visits to the UK within a 2, 5 or 10 year period. 'Other visas' includes various categories, for example, off-shore workers, overseas domestic workers in private households, EC business association agreement, sole representatives etc.

Applicants for long term visit visas benefit from the convenience of not having to make multiple applications, each requiring their biometrics to be taken. We believe this route continues to offer excellent value to the customer. If we are to continue to offer the product – which is rare in the international market - then we need to ensure it is priced correctly. Proposed new fees of £265 for 2 year visit visas, £486 for 5 year visit visas and £702 for 10 year visit visas are approximately 8% higher than the current fees. We believe these new levels of fees are appropriate, and maximise the Agency's opportunity to generate the income necessary to achieve its objectives.

Tier 1 Visas and in-UK Applications

The Tier 1 category allows highly skilled people to come to the UK to look for work or self-employment opportunities. This category will include the new Tier 1 exceptionally talented scheme which will be introduced on 6 April 2011 as part of the changes to migration policy.

We propose a new fee of £800 up from £750 for overseas applications and a new fee of £1000, up from £850 for in-UK applications.

The higher than 8% increase for in-UK applications is because economic migrants under this route obtain a particularly good set of entitlements, which justify the higher fee. They are not required to have a confirmed job from a registered UK employer, and have full unrestricted access to the UK labour market. Furthermore, dependants under this route also get unrestricted access to the UK labour market.

We did consider a separate fee for each of the Tier 1 subcategories where the entitlements are different, but decided against for reasons of simplicity and because low forecast volumes would mean disproportionately high fees for a few applicants.

Tier 1 Post Study Worker

The Tier 1 (Post-study work) category allows the UK to retain the most able international graduates who have studied here. It also enhances the UK's overall offer to international students.

We propose to increase the fee for Tier 1 post-study visa from £344 to £474. We believe this level of increase gives a better alignment between this fee and those for other Tier 1 routes, where the entitlements (such as the ability to come to or remain in the UK un-sponsored, and unlimited access to the labour market) are most similar.

For in-UK applications we propose increasing the fee by approximately 8% to £594. We would plan in future to bring any visa fee in this category in-line with the fee paid in the UK.

Tier 2 Visas and in-UK Applications

The Tier 2 category allows skilled migrants with job offers to fill a gaps in the workforce that cannot be filled by settled workers.

We propose a new fee of £400 up from £350 for overseas applications and a new fee of £550 up from £500 for in-UK applications. We would plan in future to bring any visa fee in this category in-line with the fee paid in the UK.

We have introduced a sub-category for less than 12 months Intra Company Transfer applications and set their fee below the normal Tier 2 fee at £350 for a visa and £450 for an extension of leave. The lower fee is to reflect the shorter length of leave associated with this route.

Migrants under the Tier 2 route obtain a good set of entitlements: they can work in the UK for an employer who has sponsored them and their dependants have unrestricted access to the labour market. We believe the proposed fees reflect the value of these entitlements, while moving towards increased alignment between overseas and in-UK fees.

Tier 4 in-UK Applications

Tier 4 applications allow a migrant to embark upon a course of study in the UK, or continue to study in the UK with a licensed sponsor on the register of approved sponsors.

We propose an 8% increase to the fees for Tier 4 in the UK from £357 to £386. This is in line with our policy to set fees fairly across all routes at a level that reflects the real value of a successful application to those who use this service. We think that spreading the fee increases equally where possible is the right way to achieve this.

We do not want application fees to deter prospective students from studying in the UK. We consider visa application fees paid by students to be of marginal consideration (less than 1%) when set against the broader costs they will encounter should they choose to come to the UK to study – including the tuition fees, which are on average £10,000 per foreign student per year in Higher Education and living costs.

In-UK Indefinite & Limited Leave Applications

The indefinite leave to remain applications are for migrants currently in one of the immigration categories eligible for settlement (i.e. Tier 1, Tier 2 etc) who have been living in the UK in a relevant category for five years or over. The limited leave applications cover various categories e.g. residual cohorts of work permit leave applications (migrants working in the UK before the Points Based System was introduced) and applications for employment outside the Points Based System.

We propose increasing the fee for indefinite and limited leave to remain applications by approximately 8% in line with our policy objective to help spread the overall burden of fee increases across all routes. We have increased LTR applications by slightly more than 8% to keep alignment with the Tier 2 application fee, where the entitlements are comparable.

Migrants under the indefinite leave category obtain more valuable entitlements; they have unrestricted access to the UK labour market and can remain in the UK indefinitely without the need to make any further immigration applications.

Nationality

British citizenship is one of the six different forms of British nationality. Some of these were defined in the British Nationality Act 1981, which came into force on 1 January 1983. Other forms of British nationality have existed, but they are not current.

We propose increasing the fee for Nationality applications by approximately 8% to help spread the overall burden of fee increases across all routes.

Migrants under this route obtain a valuable set of entitlements. They have the ability to apply for a British passport that provides them free movement rights within the European Economic Area (EEA), which in turn allows them to work or live in any part of the European Union (EU).

In-UK Dependants Fee

The in-country dependant category covers all dependant applications submitted at the same time as the main applicant. This impact assessment covers dependant applications for Tier 1, Tier 2, and all indefinite and limited leave to remain applications.

We propose increasing the fee for dependants from approximately one fifth to one third of the main applicant's fee to 50% of the main applicant's fee. Prior to April 2010, UK Border Agency processed applications from dependants free of charge if they were submitted at the same time as the main application.

We introduced a nominal 10% dependant fee in the UK on 6 April 2010. The fee better reflected the fact that each individual within any given application bears an additional processing cost to us (as well as sometimes an independent set of entitlements for the individual). This new fee helps further reconcile our UK-based application fee structure with those prices we apply for visas, where individuals applying from overseas (including dependants) each pay a separate fee, and we wish to move to the same model in the UK. This is being done in stages to keep volumes under close review and to manage the transition carefully. This supports the charging principle that those who benefit from the system make an appropriate contribution, and will help achieve the policy objectives stated.

Tier 4 – Permission to Change Course

Before Tier 4 of the Points Based System was introduced, students were granted permission to study in the UK without having their conditions of leave tied to a specific University. This cohort of migrants can change universities without needing to seek permission from, or to inform the UK Border Agency.

For a period when Tier 4 was first introduced, from 31 March 2009 and up to 5 October 2009, students were granted leave tied to a specific University. Changes between Universities had to be notified and were processed free of charge.

Since 5 October 2009, with the introduction of Section 50 to the immigration rules, each student's leave is now tied to a specific University and if they wish to change University then they would require formal permission from the new University in the form of a new Confirmation of acceptance for study (CAS). Students switching University now also need to apply and be approved new leave to remain on their passport. There is no new administrative burden on universities.

For the cohort of migrants for whom changes are currently processed free of charge, we are introducing a fee equal to the cost of processing the application. This is in line with the approach taken for students since 5 October 2009. Moreover, this fee will help recover the cost to the UK Border Agency of processing these requests and will contribute towards meeting the Government's charging objectives.

D. Options

The different immigration routes and the complexity of inter-related factors involved means that there are a number of ways to model options within our flexible approach to charging. To keep this impact assessment workable, we have narrowed this scope to considering two options:

Option 1: Increase fees in April 2011, allowing UK Border Agency to keep overall percentage increase to a minimum (approximately 8%) across the board. The main exception to this would be in-country dependants' application fees. All proposed fee increases under Option 1 are presented in Annex 3.

Option 2: Do nothing, maintain fees at current fee levels.

The preferred option is Option 1. This gives UK Border Agency greater assurance in financial planning. Increasing fees at the start of the financial year 2011-12 manages financial risk by giving a longer timespan in which to generate the revenue needed. This option is more in line with the Government's policy to reduce net migration. Option 1 is in the best interest of the UK tax payer, who may need to cover any financial shortfall.

We have discounted an option to delay fee increases until October 2011, as discussed in background section A1.

E. Appraisal (Costs and Benefits)

General Assumptions and Data

A model was developed to examine the **additional** costs and benefits to society and the economy of Option 1 compared with Option 2 over a five year period (11/12 to 15/16). Option 2 is denoted as the 'Do Nothing' option with no additional costs and benefits and is the baseline used for comparison.

This impact assessment covers a period of five years. This is because UKBA produce volume forecasts for the upcoming financial year which are extrapolated into future years. These are not considered to be accurate over a ten year period.

Impact on Volumes

The UK competes with other countries for tourists, students and workers, thus it is possible that increasing fees in the UK may encourage substitution effects in that applicants apply to other countries. The Home Office have monitored the impact of fee changes upon application volumes for previous rounds of fee changes and have found that fees have not had a statistically significant impact upon application volumes in previous years. It has not been possible to directly estimate the price elasticity of demand for UKBA products due to the difficulties of finding statistically significant control variables. It has therefore been necessary to proxy the price elasticities of demand for these products using elasticity estimates from academic literature such as the wage elasticity of labour supply. The latest literature review was undertaken in 2010 and further details of the studies used can be found in Annex 4.

Given the uncertainties around the proxy elasticities from academic literature, we have also included a sensitivity analysis. We have assumed that the best case scenario is that suggested by our analysis, in that fee increases have no impacts on application volumes. The worst case scenario is assumed to be equal to doubling the proxy elasticities we have used. The elasticities used in the sensitivity analysis are also given in annex 4. We believe that the true effect of increasing prices lies within this range.

The key impact of increasing fees may be that productive migrants will be deterred from coming to the UK, or remaining in the UK, to study or work. Modelling has been used to estimate the potential impacts of fee changes upon application volumes for UKBA products. This requires a number of assumptions, for example forecasts of application volumes. These may not match grant volumes used in the Limits Consultation Impact Assessment, which are based on actual historic grant volumes.

The effect of changes to fees upon application volumes has been estimated using relevant elasticities drawn from academic research. An elasticity is the percentage change in one variable as a result of a percentage change in another. For example, the percentage change in applications of Tier 1 main applicants due to higher fees is estimated by multiplying the percentage change in average Tier 1 main applicant income after higher fees have been accounted for by the wage elasticity of labour supply.

A wage elasticity of labour supply of 0.5 is used for the following products: Settlement visas; Other Visas; Tier 1 Visa & in-UK applications; Tier 1 Post Study Worker visas and in-UK applications; Tier 2 visa and in-UK applications; In-UK Indefinite and Limited Leave Applications; Nationality; and In-UK Dependant Applications. A wage elasticity of 0.5 is consistent with previous fee impact assessments, and assumes that migrants demand UKBA products in order to supply labour in the UK. In the sensitivity analysis, an elasticity range of 0 to 1.1 was used, as indicated by available evidence in Annex 4.

We use the average annual salaries of main applicants to estimate the impact of fee changes upon applications by dependants, since this assumes that dependants are equally responsive to fee changes as main applicants. This assumption seems reasonable, since main applicants are likely to decide whether they wish for dependants to join them in the UK.

We also use the price elasticity of demand for foreign business flights to the UK of 0.0 for long term visit visas, and a range of -0.5 to 0. This is appropriate since the majority of long term visit visas are used by business visitors. The upper end of the range, an elasticity of -0.5, is the average air fare elasticity of demand for all types of travellers.

We have used international estimates for the price elasticity for Higher Education, since no estimates have been obtained for the UK. A price elasticity of demand for Higher Education of -1 was applied to the expected non-EU tuition fee for Higher Education in the UK, which is consistent with the previous IA. A range of 0 to -2 was used in the sensitivity analysis.

Annex 5 presents the assumptions used to estimate the reduction in applications for UKBA products caused by the fee change.

The key costs and benefits associated with option 1 are set out below:

Option 1

Policy Costs (excluding OIOO)

Fee rises may deter potential overseas applicants, reducing the income of UKBA. This is estimated to cost £40k in 2011/12 and £0.1m (PV) over the next four years.

UK output is expected to fall as a result of a reduction in the number of migrants coming to or remaining in the UK. This is estimated to cost £24.3m in 2011/12 and £89.4m (PV) over the next four years. The breakdowns of these costs are as follows:

- Lost tuition fees from fewer Tier 4 migrants is estimated to cost £7.1m in 2011/12 and £25.9m (PV) over the next four years.
- Lost output due to fewer migrants working in the UK (proxied by their lost earnings) is estimated to cost £17.3m in 2011/12 and £63.4m (PV) over the next four years.

TOTAL COSTS

Option 1 is estimated to cost the UK economy £24.4m in 2011/12 and £89.5m (PV) over the next four years.

Policy Benefits (excluding OIOO)

Higher fees for out of country applicants will increase the income to UKBA from those applicants that still apply to come to the UK. This is estimated at £24.1m for 2011/12 and £88.4m (PV) over the next four years.

Fewer students studying at UK educational establishments will lower the costs of providing tuition by £4.7m for 2011/12 and £17.3m (PV) for the next four years. Lost output, measured by tuition fees, as a result of a fall in the volumes of students is taken into account in the costs section above. We then offset the benefit of delivering tuition to lower volumes of students against this cost to take account of the fact that a reduction in activity releases scarce resources (e.g. lecturer time) for alternative use. This approach is supported by the academic literature[1] and the Green Book.

Public confidence maintained in secure borders and that migration is controlled for the benefit of the UK.

Administrative Savings (excluding OIOO)

Fewer out of country applicants are estimated to reduce UKBA processing costs by £0.2m for 2011/12 and £0.8m (PV) for the next four years.

TOTAL BENEFITS

Option 1 is estimated to benefit the UK economy by £29.0m in 2011/12 and £106.6m (PV) for the next four years.

NET BENEFITS

Option 1 is estimated to generate a net benefit to the economy of £4.6m in 2011/12 and £17.0m over the next four years (PV).

Full results of Cost Benefit Analysis (£ million)

£m	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Benefits						
Revenue raised from fee changes for those who continue to apply (PV)	24.1	23.3	22.5	21.7	21.0	112.5
Administrative saving to UKBA from a net decrease in volumes of applications as a result of fee changes (PV)	0.2	0.2	0.2	0.2	0.2	1.0
Reduced tuition costs to educational establishments from a net decrease in volumes of Tier 4 applicants as a result of fee changes (PV)	4.7	4.6	4.4	4.3	4.1	22.1
Total Benefits (PV)	29.0	28.0	27.1	26.1	25.3	135.6

[1] Vickers, P. and Bekhrandnia, B (2007) '*The Economic Costs and Benefits of International Students'*, Higher Education Policy Institute paper, July

Costs						
Lost revenue from net decrease in the volume of applications as a result of fee changes (PV)	0.0	0.0	0.0	0.0	0.0	0.2
Lost tuition fees from net decrease in Tier 4 migrants remaining in the UK (PV)	7.1	6.8	6.6	6.4	6.1	33.0
Output loss due to fewer migrants working in the UK from net decrease in migrants coming to and remaining in the UK (PV)	17.3	16.7	16.1	15.6	15.1	80.7
Total costs (PV)	24.4	23.5	22.7	22.0	21.2	113.9
Net benefit (PV)	4.6	4.5	4.3	4.2	4.0	21.7

Impact on UKBA

UKBA's annual income is estimated to rise by £65.4m as a result of fee changes, and its administrative cost is estimated to reduce by £0.2m. This equates to a £305.8m (PV) rise in UKBA's income over 5 years from higher fees, and a £1.0m (PV) reduction in its administration costs.

Impact upon Business

All of the products covered in this impact assessment are levied on individuals, not businesses. The only effect of this policy will be to increase UKBA product fees; it will not impact the administrative burden on firms. It is therefore not relevant to apply 'One-In, One-Out' to this policy.

In country transfers

Transfers between in country applicants and UKBA are not included in the costs and benefits presented in this paper (except for the income to UKBA). This is because transfers between in country applicants and UKBA result in zero cost or benefit to the UK economy. The values of these transfer payments are presented below:

Transfers	Central Estimate (PV) 2011/112 – 2015/16
Increase in UKBA fee income from in country applications	£194.1m
Additional cost of application fees to in country applicants	-£194.1m
Saving from deterred in-country applicants	£0.5m
Lost UKBA revenue from deterred in-country applicants	-£0.5m
Total	£0

Wider social costs and benefits

Raising fees is estimated to deter around 700 applications either from migrants who choose to leave the UK or no longer apply to come to the UK. Of these, around 450 are in-country Tier 4 extensions or Tier 4 migrants wishing to change courses. These fee increases are also estimated to prevent around 60 applications from Tier 2 Intra company transfer (ICT) migrants coming for less than 12 months. The table below presents the largest category of deterred applications. All other product categories are estimated to have a deterred application effect of less than 50 people per year and sum to less than 200 people in total per year.

People arriving in the categories described in the table are generally expected to have limited social impacts due to the short duration of their stay. The majority, 80%, of Tier 4 migrants leave the UK within

five years of arriving[2]. Those extending their visas or changing courses are in UK applications, so their time remaining in the UK is likely to be shorter. ICT migrants on a less than 12 months visa will be expected to leave the UK within 12 months. However, the main social impacts are discussed below:

Product	Approximate Estimated decrease in annual applications
Tier 4 permission to change course	300
Tier 4 Extension - Main Applicant	140
Tier 2 ICT less than 12 months - Main Applicants & Dependants	60

Schools and Education

Tier 4 (General) students who will be studying in the UK for longer than twelve months can bring with them their partners and children (also known as dependents). Those eligible to apply in the UK to change course or extend their leave are likely to have entered the UK with a visa for more than 12 months. Likewise, Tier 2 ICT migrants can also bring dependents. The children of migrants add to demand of public and private education provision.

In some cases, migrants can have different, more expensive needs than non-migrant pupils – for example where migrant pupils have English as an Additional Language (EAL)[3] or arrive late in the academic year. The proportion of pupils with EAL has been rising in recent years - by 3.6 per cent between 2005 and 2009 for primary school pupils with EAL and by 6.1 per cent between 2005 and 2009 for secondary school pupils with EAL.

Overall, however, the population of 0-19 year olds is more affected by changes to the fertility rate of UK-resident women of child-bearing age than it is by changes in migration. Very small reductions in Tier 4 migration and short term ICT migration may therefore be expected to have a relatively small aggregate effect on the demand for education over the reference period. Due to data constraints we are unable to quantify this.

Health

Migrant students can access free public healthcare if they study in the UK for over six months; a bill may be levied for any costs to the health service prior to this; however, no individual is turned away from Accident and Emergency departments due to concerns about ability to pay or immigration status.

In general, lower migration might be expected to reduce the total demand for healthcare, although the extent will depend on which migrants arrive in the UK. Individuals can have very different healthcare needs- the old and the young for example have, on average, high costs. In 2009 of those stating their main reason for immigrating to the UK was to study almost 65 percent were aged 15-24, and 33 percent were aged 25-44.[4] Individuals of working age tend to be associated with lower levels of demand on the healthcare system. Due to data constraints we are unable to quantify this.

Other public services

We have considered the impact of the proposed changes on other public services, including social work, social care, and housing provision. We believe that the impact on these other public services is minimal over the reference period of this impact assessment.

Given the relatively small numbers of migrants concerned and the fact that Tier 4 migrants and short term ICT migrants place a low burden upon public services (since they are generally young, healthy and childless), fee changes are unlikely to significantly reduce public service costs.

F. Risks

[2] The Migrant Journey, ***Lorrah Achato, Mike Eaton and Chris Jones, Research Report 43,*** http://rds.homeoffice.gov.uk/rds/pdfs10/horr43c.pdf. Research based on a 2004 cohort. After five years, 80% of students no longer have valid leave to remain.

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

[4] http://www.statistics.gov.uk/statbase/Product.asp?vlnk=15054 Note: These figures relates to all nationalities, as the IPS is not available in a cross-tabulation of age, reason for migration, and nationality.

Option 1

Sensitivity analysis has been undertaken by re-estimating the NPVs with different assumptions for the elasticities.

For the high NPV scenario it is assumed that volumes are not affected by the fee changes. In this scenario, there is a net benefit of £112.6m (PV) over 5 years through additional revenue from fees.

For the low NPV scenario, we assume that volumes decrease to a greater extent than is assumed in the central estimates. We therefore assume the following elasticities: elasticity of labour supply of 1.1, elasticity of demand for HE of -2, and air fare elasticity of demand for foreign business flights of -0.5. UKBA's revenue from out of country applicants is estimated to increase by £112.2m (PV), its administrative costs are estimated to fall by £2.6m (PV), and tuition costs to UK educational establishments are estimated to fall by £44.1m (PV). Nevertheless, UKBA's revenue is estimated to fall by £1.5m (PV) from potential out of country applicants who no longer apply due to the fee increases, lost tuition fees from fewer Tier 4 migrants is estimated to cost £65.9m (PV), lost output due to fewer migrants working in the UK is estimated to cost £173.7m (PV) and lost spending from deterred short-term visitors is estimated to cost £21.0m (PV).

Having done some initial work to estimate the responsiveness of application volumes to fee changes for various visa products, we found that fee changes have little impact upon application volumes. It therefore seems unlikely that the low scenario will be realised, since this assumes that application volumes are highly responsive to fee changes. However, UKBA recognises that this may change and has plans in place to assess the responsiveness of applicants to price over the longer term.

G. Enforcement

No impact on enforcement.

H. Summary and Recommendations

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

Table H.1 Costs and Benefits

Option	Costs	Benefits
1	£24.4m/year	£29.0m/year
	Risks to UK economy of significant impact on volumes (not quantified)	Benefits to public confidence in secure borders and that migration is controlled for the benefit of the UK (not quantified) Small reduction in public service costs from fewer migrants coming to or remaining in the UK. (Not quantified)

Source: UKBA estimates

The Net Present Value calculation is therefore £21.7m over 5 years. This equates to reduction of approximately 700 applications per year. The NPV range based on the above elasticity assumptions is -£103.3m to £112.6m. This equates to a fall in volumes of between 0 and 2,000 applications per year. Option 1 is therefore the preferred option as the expected benefits to the economy exceed the expected costs, it is in keeping with UKBA's charging objectives and is expected to increase UKBA's revenue to address the forecasted income shortfall in the financial year 2011-12.

I. Implementation

The Government plans to implement these changes on the common commencement date of 6 April 2011, following Parliament's consideration of the related Statutory Instrument. Full details to applicants on how to apply and pay the new fees will be made available on the UK Border Agency's website:

www.ukba.homeoffice.gov.uk

J. Monitoring and Evaluation

The effectiveness of the new fees regime would be monitored by the UK Border Agency Charging Policy team and will cover in year checks of volumes and revenue, used to inform the annual review of fees.

K. Feedback

Information gained from the monitoring process will be fed back into the annual review of fees.

L. Specific Impact Tests

We have liaised with the Home Office Strategic Diversity Action Team on producing an Equality Impact Assessment (EIA) and agreed that as there are no newly identified impacts from these proposals, we will update the existing EIA action plan and publish this alongside the impact assessment when we lay the Regulations in Parliament in February 2011.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review , or there could be a political commitment to review (PIR)]; The UK Border Agency has a duty to review its fees to ensure the correct contribution is made. This is done on an annual basis. Any proposals to change fees are made via legislation.
Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] As a regular proportionate check, we compare actual volumes of applications and fees income received against projections. We also monitor for any unforseen demand impacts. This information forms part of the UK Border Agency's annual fees review.
Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] Regular in-depth evaluation of monitoring data by representative groups of key expert staff in UK Border Agency. This is most efficient method of review, being consistent with consideration of data undertaken in parallel as part of the Agency's regular business planning and performance management cycle. We also scan the views of corporate partners through the Agency's taskforce network.
Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] The baseline against which the change introduced by the legislation can be measured is the forecast income if fees were kept at existing levels.
Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives] Balanced budget providing resources to achieve Agency objectives, as evidenced in UK Border Agency annual reports and accounts. We review fees policy against objectives on an annual basis.
Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection systematic collection of monitoring information for future policy review] We have existing arrangements in place that will allow us to systematically collect and monitor information for future review. This is done by producing 3 to 5 yearly forecasts of expected volumes and we compare this with actuals for each year.
Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here] As our fees are reviewed annually and the volumes and forecasts are monitored through out the year, a separate PIR is not required.

Annex 2. Specific Impact Tests

Statutory Equality Duties
Equality Impact Assessment

See note at sub-heading L.

Annex 3. Proposed fee increases under Option 1

In country/out of country product	Product type	Product	Current fees (£)	Proposed fees (£)
Out of country	Visas - non PBS	Visit visa – up to 2 year	245	265
Out of country	Visas - non PBS	Visit visa – up to 5 year	450	486
Out of country	Visas - non PBS	Visit visa – up to 10 year	650	702
Out of country	Visas - non PBS	Settlement	750	810
Out of country	Visas - non PBS	Settlement - Dependant Relative	1680	1814
Out of country	Visas - non PBS	Other Visa	245	265
Out of country	Visas - PBS	Tier 1 - Main Applicants	750	800
Out of country	Visas - PBS	Tier 1 - Dependants	750	800
Out of country	Visas - PBS	Tier 1 Post Study - Main Applicant	344	474
Out of country	Visas - PBS	Tier 1 Post Study - Dependants	344	474
Out of country	Visas - PBS	Tier 2 General - Main Applicant	350	450
Out of country	Visas - PBS	Tier 2 General - Dependants	350	450
Out of country	Visas - PBS	Tier 2 Sportsperson & Minister of Religion - Main Applicant	350	450
Out of country	Visas - PBS	Tier 2 Sportsperson & Minister of Religion - Dependants	350	450
Out of country	Visas - PBS	Tier 2 ICT over 12 months - Main Applicant & Dependants	350	450
Out of country	Visas - PBS	Tier 2 ICT less than 12 months - Main Applicants & Dependants	0	350
In country	Nationality	Naturalisation (UK Citizenship) - Single	780	836
In country	Nationality	Naturalisation (UK Citizenship) - Joint	930	1214
In country	Nationality	Naturalisation (UK Citizenship) - Spouse	780	836
In country	Nationality	Nationality Registration - Adult	580	620
In country	Nationality	Nationality Registration - Minor	500	540
In country	Nationality	Nationality Registration Multiple Minor - Main Applicant	600	810
In country	Nationality	Nationality Registration Multiple Minor - Dependants	150	270
In country	In UK - non PBS	ILR – Main Applicant	900	972
In country	In UK - non PBS	ILR - Dependants	250	486
In country	In UK - non PBS	ILR - Dependant Relative	1680	1814
In country	In UK - non PBS	LTR Non Student – Main Applicant	500	550
In country	In UK - non PBS	Residual FLR BUS– Main Applicant	850	1000
In country	In UK - non PBS	Residual FLR BUS - Dependants	250	500
In country	In UK - non PBS	Employment LTR outside PBS– Main Applicant	500	550
In country	In UK - PBS	Tier 1 General Extension - Main Applicant	850	1000
In country	In UK - PBS	Tier 1 General Extension - Dependants	250	500
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs First Application – Main Applicants	850	1000

In country/out of country product	Product type	Product	Current fees (£)	Proposed fees (£)
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs First Application - Dependants	250	500
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs Extension – Main Applicants	850	1000
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs Extension - Dependants	250	500
In country	In UK - PBS	Tier 1 Post Study – Main Applicants	550	594
In country	In UK - PBS	Tier 2 General First Application - Main Applicant	500	550
In country	In UK - PBS	Tier 2 General First Application - Dependant	150	275
In country	In UK - PBS	Tier 2 Sportsperson & Minister of Religion First Application - Main Applicant	500	550
In country	In UK - PBS	Tier 2 Sportsperson & Minister of Religion First Application – Dependants	150	275
In country	In UK - PBS	Tier 2 General Extension - Main Applicant	500	550
In country	In UK - PBS	Tier 2 General Extension - Dependants	150	275
In country	In UK - PBS	Tier 2 ICT over 12 months Extension - Main Applicant	500	550
In country	In UK - PBS	Tier 2 ICT over 12 months Extension - Dependants	150	275
In country	In UK - PBS	Tier 2 Sportsperson and Minister of Religion Extension – Main Application	500	550
In country	In UK - PBS	Tier 2 Sportsperson and Minister of Religion Extension – Dependants	150	275
In country	In UK - PBS	Tier 4 First Application – Main Applicant	357	386
In country	In UK - PBS	Tier 4 Extension - Main Applicant	357	386
In country	In UK – PBS	Tier 4 permission to change course	0	386

Annex 4. Elasticity assumptions

Table 1a: Empirical studies of the wage elasticity of labour supply

Source	Estimate of wage elasticity of labour supply*	Measure
R. E Lucas and L. A. Rapping, "Real Wages, Employment and Inflation", *Journal of Political Economy*, 77 (1969).	Short run: 1.12 – 1.13 (95% significance) Long-run: -0.07 – 0.58	Change in real wages on labour supply using US data 1929-1965
Y. Chang and S. Kim, "On the aggregate labour supply", *Federal Reserve Bank of Richmond Economic Quarterly Volume 91/1 Winter 2005.*	1.0	Aggregate labour supply elasticity
L. Osberg and S. Phipps, "Labour Supply with Quantity Constraints: Estimates from a Large Sample of Canadian Workers", *Oxford Economic Papers, New Series, Vol. 45, No. 2. (Apr., 1993), pp. 269-291.*	Between +0.1 and -0.1	Wage elasticity of labour supply in the Canadian Labour Market
P. Bingley and G. Lanot, *"The Incidence of Income Tax on Wages and Labour Supply", National Centre for Register-based Research (NCRR), Version 5.002* *31 October 2000*	-0.4	Elasticity of labour supply in the Danish Labour Market

*Note that the estimated wage elasticity of labour supply includes negative values indicating backward sloping or backward bending labour supply curve. This is due to the income effect outweighing the substitution effect. For a higher wage, individuals can decrease labour supply and enjoy the same level of consumption.

Table 1b: Empirical studies of the price elasticity of demand for higher education

Source	Estimate of price elasticity of demand	Measure
Tuition Elasticity of the Demand for Higher Education among Current Students: A Pricing Model Glenn A. Bryan; Thomas W. Whipple The Journal of Higher Education, Vol. 66, No. 5. (Sep. - Oct., 1995), pp. 560-574.	Between -0.12 to -0.3	Elasticity of demand for HE in a small private liberal arts college in Ohio, from increases in tuition fees between $6000 to $8000
Campbell, R. and B. Siegel. "The Demand for Higher Education in the United States, 1919-1964." American Economic Review, (June, 1967), pp. 482-94.	-0.44	Aggregate demand for attendance in 4-year institutions in the US from 1927 – 63
Hight, J. "The Supply and Demand of Higher Education in the U.S.: The Public and Private Institutions Compared." Paper presented to the Econometric Society, December, 1970.	Between -1.058 and -0.6414	Used Campbell and Siegel's data and split up for public and private sectors
Hoenack, S., W. Weiler, and C. Orvis. "Cost-Related Tuition Policies and University Enrollments." mimeo., Management Information Division, University of Minnesota, 1973.	Between -1.811 to -.837	Private demand for the University of Minnesota, using longitudinal data from 1948-72.

Table 1c: Empirical study of the air fare elasticities of demand for foreign business flights to the UK

Source	Estimate of price elasticity of demand	Measure
UK Air passenger demand and CO2 forecasts, DFT, 2009	0.0	Econometric study of air fare elasticity of demand

Annex 5. Estimated decrease in annual applications caused by fee changes

Product type	Product	Forecasted annual applications 11/12	Central elasticity	Average annual earnings/ tuition fees	Average length of stay (years)	Estimated decrease in annual applications
In UK – PBS	Tier 4 permission to change course	12,000	-1	11,200	1.4	295
In UK - PBS	Tier 4 Extension - Main Applicant	74,300	-1	11,200	1.4	141
Visas - PBS	Tier 2 ICT less than 12 months - Main Applicants & Dependants	21,500	0.5	66,400	1	57
In UK - non PBS	LTR Non Student – Main Applicant	38,600	0.5	24,900	1	40
Visas - non PBS	Settlement	66,300	0.5	24,900	2.8	29
Visas - non PBS	Other Visa	56,100	0.5	24,900	1.4	16
In UK - PBS	Tier 1 General Extension - Main Applicant	18,200	0.5	33,300	2.9	14
In UK - PBS	Tier 4 First Application – Main Applicant	7,300	-1	11,200	1.4	14
In UK - PBS	Tier 1 General Extension - Dependants	10,100	0.5	33,300	2.9	13
In UK - PBS	Tier 1 Post Study – Main Applicants	23,900	0.5	19,800	2.1	13
Visas - PBS	Tier 1 Post Study - Main Applicant	5,800	0.5	19,800	1.7	11
Visas - PBS	Tier 1 Post Study - Dependants	3,900	0.5	19,800	1.7	8
Visas - PBS	Tier 2 General - Main Applicant	21,000	0.5	45,500	2.3	5
Nationality	Naturalisation (UK Citizenship) - Joint	16,700	0.5	24,900	25	4
In UK - PBS	Tier 2 General First Application - Dependant	6,600	0.5	45,500	2.5	4
Visas - PBS	Tier 2 ICT over 12 months - Main Applicant & Dependants	18,800	0.5	66,400	2	4
Visas - PBS	Tier 2 General - Dependants	11,900	0.5	45,500	2.3	3
Visas - PBS	Tier 1 - Dependants	8,600	0.5	33,300	2.7	2
Nationality	Naturalisation (UK Citizenship) - Single	58,400	0.5	24,900	29	2
In UK - PBS	Tier 2 General First Application - Main Applicant	9,600	0.5	45,500	2.5	2
In UK - PBS	Tier 2 General Extension - Dependants	3,800	0.5	45,500	2.5	2
In UK - PBS	Tier 2 ICT over 12 months Extension - Dependants	4,400	0.5	66,400	2	2
In UK - non PBS	ILR – Main Applicant	42,900	0.5	24,900	32	2
In UK - non PBS	ILR - Dependants	16,700	0.5	24,900	46	2
Nationality	Naturalisation (UK Citizenship) - Spouse	44,800	0.5	24,900	30	2

In UK - PBS	Tier 2 General Extension - Main Applicant	5,600	0.5	45,500	2.5	1
Nationality	Nationality Registration Multiple Minor - Main Applicant	12,200	0.5	24,900	47	1
In UK - PBS	Tier 2 ICT over 12 months Extension - Main Applicant	5,000	0.5	66,400	2	1
Nationality	Nationality Registration Multiple Minor - Dependants	18,500	0.5	24,900	47	1
Visas - non PBS	Settlement - Dependant Relative	1,700	0.5	24,900	6.7	1
Visas - PBS	Tier 1 - Main Applicants	1,900	0.5	33,300	2.7	1
In UK - PBS	Tier 1 Investors & Entrepreneurs First Application - Dependants	300	0.5	33,300	2.9	0
In UK - PBS	Tier 1 Investors & Entrepreneurs Extension - Dependants	300	0.5	33,300	2.9	0
Nationality	Nationality Registration - Minor	16,700	0.5	24,900	47	0
In UK - PBS	Tier 2 Sportsperson and Minister of Religion Extension – Dependants	300	0.5	69,100	1.6	0
In UK - PBS	Tier 1 Investors & Entrepreneurs First Application – Main Applicants	200	0.5	33,300	2.9	0
In UK - PBS	Tier 1 Investors & Entrepreneurs Extension – Main Applicants	200	0.5	33,300	2.9	0
Visas - PBS	Tier 2 Sportsperson & Minister of Religion - Main Applicant	800	0.5	69,100	1.8	0
In UK - PBS	Tier 2 Sportsperson & Minister of Religion First Application – Dependants	200	0.5	69,100	1.6	0
Nationality	Nationality Registration - Adult	2,900	0.5	24,900	18	0
In UK - PBS	Tier 2 Sportsperson and Minister of Religion Extension – Main Application	400	0.5	69,100	1.6	0
Visas - PBS	Tier 2 Sportsperson & Minister of Religion - Dependants	400	0.5	69,100	1.8	0
In UK - PBS	Tier 2 Sportsperson & Minister of Religion First Application - Main Applicant	300	0.5	69,100	1.6	0
In UK - non PBS	Employment LTR outside PBS– Main Applicant	100	0.5	24,900	2	0
In UK - non PBS	Residual FLR BUS - Dependants	100	0.5	24,900	5	0
In UK - non PBS	ILR - Dependant Relative	700	0.5	24,900	47	0
In UK - non PBS	Residual FLR BUS– Main Applicant	100	0.5	24,900	5	0

Visas - non PBS	Visit visa – up to 2 year	145,600	0	3,900	1	0
Visas - non PBS	Visit visa – up to 5 year	70,200	0	7,100	1	0
Visas - non PBS	Visit visa – up to 10 year	26,300	0	10,400	1	0

Annex 6. Methodology for calculating output losses.

Loss of Visitor Spending

Average visitor spending has been calculated using published data from the Travelpac 2009, produced by the ONS and based on data from the International Passenger Survey. (http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=14013&Pos=&ColRank=1&Rank=374) The average spending per visit by visa nationals in 2009 was £832 by holiday makers and £1,401 by business travellers. We have assumed that all applicants for 6 month visas are holiday makers and applicants for long term visit visas are business travellers, since this is supported by anecdotal evidence on the stated purpose of visit.

Data is not available for the numbers of visits to the UK made by visa visitors. We have therefore assumed that visitors with short term visitor visa come to the UK only once. We also assume that visitors will only apply for long term visas if they come to the UK enough times to make it cost effective. For example: the proposed fee for a 2 year visit visa is £300 and the proposed fee for a 6 month visit visa is £88. One would therefore have to visit the UK £300/£88 = 3.4 times on average to make it cost effective to buy a 2 year visit visa.

Reduction in Tuition Fees

The average tuition fee for Tier 4 migrants has been estimated to be £11,200 p.a. using published data on the University UK website. This figure is the weighted average tuition fee for overseas students in 2009/10. (http://www.universitiesuk.ac.uk/Newsroom/Facts-and-Figures/International-student-tuition-fees/Survey-results-2009-2010/Pages/Default.aspx)

The fees for overseas students are not regulated by Government in the way that home students are, and BIS have not announced a policy that would directly change how the fees for overseas students are set. BIS have therefore recommended that last year's figures are the most appropriate estimates for future tuition fees. Nevertheless, it is possible that educational establishments may raise tuition fees for overseas students in response to reduced Government funding.

The loss of tuition fees due to fewer Tier 4 migrants coming to the UK has therefore been estimated by multiplying the average tuition fee for Tier 4 migrants by their estimated length of stay in the UK and by the estimated fall in number of Tier 4 migrants coming to or remaining in the UK.

Loss of Output

The loss in output to the UK economy from fewer migrants working in the UK has been estimated by assuming migrants' output is equal to their foregone income. The average earnings of applicants for different products have been estimated using the latest data from the Labour Force Survey (Q3 2010). We have taken the employment rate into account. The only exceptions are as follows:

- Tier 1 General salaries have been obtained from a UKBA survey of migrants on the Highly Skilled Migrant Programme (HSMP) at the further leave to remain stage (Q1 2007). While different criteria were used for the HSMP compared to the Tier 1 General route, this is the latest available data.
- Tier 2 salary data has been obtained from UK Border Agency management information (July 2009 to June 2010). This is the latest available data, and was used by the Migration Advisory Committee in its report on proposed limits for Tier 1 and Tier 2. (http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/workingwithus/mac/mac-limits-t1-t2/)
- No loss in output has been assumed for applications for Nationality products, vignette transfers, travel documents and work permit technical changes. This is because these products are optional, and failure to apply for them will not mean that migrants will not be allowed to enter the UK or be obliged to leave.

The loss of output due to fewer migrants coming to or remaining in the UK has been estimated by multiplying the average annual earnings for applicants for that product by their estimated length of stay in the UK, and by the estimated fall in number of applicants coming to or remaining in the UK. This data is given in Annex 5.

The table below gives the per annum unit costs associated with each deterred applicant.

In country/out of country product	Product type	Product	Average loss in output from fewer migrants (£)	Average loss in spending from fewer visitors (£)	Average annual loss in tuition fees from fewer Tier 4 students (£)
Out of country	Visas - non PBS	Visit visa – up to 2 year	-	4,800	-
Out of country	Visas - non PBS	Visit visa – up to 5 year	-	8,800	-
Out of country	Visas - non PBS	Visit visa – up to 10 year	-	12,800	-
Out of country	Visas - non PBS	Settlement	7,800	-	-
Out of country	Visas - non PBS	Settlement - Dependant Relative	7,800	-	-
Out of country	Visas - non PBS	Other Visa	24,900	-	-
Out of country	Visas - PBS	Tier 1 - Main Applicants	33,300	-	-
Out of country	Visas - PBS	Tier 1 - Dependants	7,800	-	-
Out of country	Visas - PBS	Tier 1 Post Study - Main Applicant	19,800	-	-
Out of country	Visas - PBS	Tier 1 Post Study - Dependants	7,800	-	-
Out of country	Visas - PBS	Tier 2 General - Main Applicant	45,500	-	-
Out of country	Visas - PBS	Tier 2 General - Dependants	7,800	-	-
Out of country	Visas - PBS	Tier 2 Sportsperson & Minister of Religion - Main Applicant	69,100	-	-
Out of country	Visas - PBS	Tier 2 Sportsperson & Minister of Religion - Dependants	7,800	-	-
Out of country	Visas - PBS	Tier 2 ICT over 12 months - Main Applicant & Dependants	66,400	-	-
Out of country	Visas - PBS	Tier 2 ICT less than 12 months - Main Applicants & Dependants	74,100	-	-
In country	Nationality	Naturalisation (UK Citizenship) - Single	-	-	-
In country	Nationality	Naturalisation (UK Citizenship) - Joint	-	-	-
In country	Nationality	Naturalisation (UK Citizenship) - Spouse	-	-	-
In country	Nationality	Nationality Registration - Adult	-	-	-
In country	Nationality	Nationality Registration - Minor	-	-	-
In country	Nationality	Nationality Registration Multiple Minor - Main Applicant	-	-	-
In country	Nationality	Nationality Registration Multiple Minor -Dependants	-	-	-
In country	In UK - non PBS	ILR – Main Applicant	24,900	-	-
In country	In UK - non PBS	ILR - Dependants	7,800	-	-
In country	In UK - non PBS	ILR - Dependant Relative	7,800	-	-
In country	In UK - non PBS	LTR Non Student – Main Applicant	24,900	-	-
In country	In UK - non PBS	Residual FLR BUS– Main Applicant	24,900	-	-
In country	In UK - non PBS	Residual FLR BUS - Dependants	7800	0	0
In country	In UK - non PBS	Employment LTR outside PBS– Main Applicant	24,900	-	-
In country	In UK - PBS	Tier 1 General Extension - Main Applicant	33,300	-	-

In country	In UK - PBS	Tier 1 General Extension - Dependants	7,800	-	-
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs First Application – Main Applicants	33,300	-	-
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs First Application - Dependants	7,800	-	-
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs Extension – Main Applicants	33,300	-	-
In country	In UK - PBS	Tier 1 Investors & Entrepreneurs Extension - Dependants	7,800	-	-
In country	In UK - PBS	Tier 1 Post Study – Main Applicants	19,800	-	-
In country	In UK - PBS	Tier 2 General First Application - Main Applicant	45,500	-	-
In country	In UK - PBS	Tier 2 General First Application - Dependant	7,800	-	-
In country	In UK - PBS	Tier 2 Sportsperson & Minister of Religion First Application - Main Applicant	69,100	-	-
In country	In UK - PBS	Tier 2 Sportsperson & Minister of Religion First Application – Dependants	7,800	-	-
In country	In UK - PBS	Tier 2 General Extension - Main Applicant	45,500	-	-
In country	In UK - PBS	Tier 2 General Extension - Dependants	7,800	-	-
In country	In UK - PBS	Tier 2 ICT over 12 months Extension - Main Applicant	66,400	-	-
In country	In UK - PBS	Tier 2 ICT over 12 months Extension - Dependants	7,800	-	-
In country	In UK - PBS	Tier 2 Sportsperson and Minister of Religion Extension – Main Application	69,100	-	-
In country	In UK - PBS	Tier 2 Sportsperson and Minister of Religion Extension – Dependants	7,800	-	-
In country	In UK - PBS	Tier 4 First Application – Main Applicant	6,500	-	11,200
In country	In UK - PBS	Tier 4 Extension - Main Applicant	6,500	-	11,200
In country	In UK – PBS	Tier 4 permission to change course	6,500	-	11,200