EXPLANATORY MEMORANDUM TO
THE IMMIGRATION AND NATIONALITY (FEES) REGULATIONS 2010
2010 No. 778

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 stated in 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", that he intends to charge a fee.

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 2007, for which:

a) the fee will be set at an amount above the administrative cost of making the application, in reliance of 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 for which:

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

3.2 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 in support of wider Government objectives, particularly where it is believed that a cost recovery fee would be so high as to damage international competitiveness in this area (e.g. for tourist visas).

3.3 Fees for the matters specified in the Fees Order 2007 which will be charged at or below the administrative cost 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, applications 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 A draft of these Regulations must by virtue of section 42(7) of the 2004 Act 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 41(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 are likely to 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 leave to remain;
b) in the case of entry clearance applications, other applications for entry clearance;
c) in the case of sponsorship licences, other applications for sponsorship licences;
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 has made the following statement regarding Human Rights:

"In my view the provisions of the Immigration and Nationality (Fees) Regulations 2010 are compatible with the European Convention on Human Rights."

7. Policy background

What is being done 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. (e.g. for tourist visa applications where it is believed that a cost recovery fee would be so high as to damage international competitiveness in this area).

7.2 For the majority of our application routes we propose a maximum increase of 2.5%. This is despite the fact that the costs to UK Border Agency of processing these applications have increased by approximately 6% over the last year, due to the cost of introducing new visa regimes, Gurkha settlement and also investments in improved customer service.

7.3 We have succeeded in limiting the extent of our general increases, by taking a more targeted approach to fees adjustment which is consistent with both UK Border Agency strategic charging principles, and also with broader government objectives.

7.4 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 consideration of the application with the interests of the general 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 some routes from significant increases and will contribute to the additional revenue needed to fund enforcement and other necessary improvements to the immigration system.

7.5 We believe these fees are in the best interests of UK. Maintaining one of the world's most secure border brings with it an irreducible core of cost, especially as we seek to improve speed and quality of decision making on our visa functions: something which Other Government Departments and customers tell us is key to the lifeblood of the UK economy. Nevertheless, the current fees round takes place against a difficult financial context for the UK Border Agency and Government as a whole.

7.6 Fees are set on the basis of the benefits to migrants of the various entitlements which each route brings if their application is successful. For Tier 1 for example, there is the entitlement to access the UK labour market without the need for a sponsor, a route to apply for settlement, the ability to bring in dependants who can also work without restriction, access to benefits etc. Tier 5 does not bring the same entitlements to applicants (no route to settlement, can't bring dependants, sponsor required etc.) and is priced accordingly. In addition, the migration impacts fund will bring direct benefits to migrants by improving the local public services that migrants use. We propose focused increases on those areas where there are major benefits to the applicant, in order to avoid increases in the most economically sensitive routes (visitors, workers, employers, universities' direct costs).

7.7 We have also published indicative unit costs for each application for 10/11. 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. These Regulations cover the fees set above the cost to the UK Border Agency. Full details of the fees set below cost will be made available when we lay the Negative Regulations during February 2010.

7.8 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	2009/10 Fees (£)	Estimated Unit Cost for 10/11	Proposed Fee for 10/11
Non PBS Visas			
Long term visit visa (up to 2 yr)	215	140	230
Long term visit visa (up to 5 yr)	400	141	420
Long term visit visa (up to 10 yr)	500	155	610
Settlement visa *	585	249	644
Settlement Visa *- Dependent Relative	585	272	1680
Other visa	215	115	230
PBS Visas			
T1(General, Investor / Entrepreneur)*	675	332	690
T1 (General/Entrepreneur) CESC *	615	332	629
T2 *	265	197	270
T2 (CESC) *	245	196	250

* The fees for these applications include a contribution of £50 to the migration impacts fund.

IN UK – Leave to Remain and Nationality Fees

PRODUCTS	2009/10 Fees (£)	Estimated Unit Cost for 10/11	Proposed Fee for 10/11	Dependents Fee
NON PBS ROUTES - Migrants Inside UK				
ILR Postal *	820	341	840	129
ILR PEO *	1020	256	1095	154
ILR Postal (CESC) *	750	341	767	121
ILR PEO (CESC) *	920	256	992	144
ILR Dependant Relative (Postal) *	820	341	1680	213
ILR Dependant Relative (PEO) *	1020	256	1930	238
Leave to Remain Non Student Postal *	465	419	475	92
Leave to Remain Non Student PEO *	665	348	730	118
FLR (IED) Postal *	400	210	400	85
FLR (IED) PEO *	600	210	650	110
FLR (BUS) *	800	210	800	125
Transfer of Conditions PEO	515	341	578	57
Mobile Biometric Enrolment & Case-working (Pilot for Premium+ Service)	N/A	1982	15,000	N/A
Nationality applications - Migrants Inside UK				
Nationality 6(1) Single *	640	208	655	N/A
Nationality 6(1) Joint *	690	231	770	N/A
Nationality 6(2) *	640	208	655	N/A
Nationality Registration Adult *	460	208	470	N/A
Nationality Registration Single Minors *	460	208	470	N/A
Nationality Registration Multiple Minors *	510	255	567	97
* The fees for these applications include a contribution of £50 to the migration impact fund.				

IN – UK PBS FEES

PRODUCTS	2009/10 Fees (£)	Estimated Unit Cost for 10/11	Proposed Fee for 10/11	Dependents Fee
PBS - Migrants Inside UK				
T1 (General) - Postal *	820	317	840	129
T1 (General) - PEO *	1020	288	1095	154
T1 (General/Entrepreneur) CESC Postal *	750	317	767	121
T1 (General/Entrepreneur) CESC PEO *	920	288	992	144
T1 (Invs or Ent) - Postal *	820	354	840	129
T1 (Invs or Ent) - PEO *	1020	446	1095	154
T1 (Post Study) – Postal	500	317	550	100
T1 (Post Study) - PEO *	700	325	800	125
Tier 1 (Transition) Postal *	400	259	408	85
Tier 1 (Transition) PEO *	600	275	663	111
T2 - Postal *	465	344	475	92
T2 - PEO *	665	330	730	118
T2 CESC Postal *	425	344	434	88
T2 CESC PEO *	605	330	669	111
T4 - PEO *	565	374	628	107
T5 – PEO	515	369	578	57
T5 CESC PEO	460	380	521	52
* The fees for these applications include a contribution of £50 to the migration impact fund.				

PBS Sponsorship & Certificate of Sponsorship Fees

PRODUCTS	2009/10 Fees (£)	Estimated Unit Cost for 10/11	Proposed 10/11 fees (£)
PBS Sponsorship & CoS Fees			
T2 Sponsor licence - medium/large business	1000	880	1000
T2&4 Sponsor licence - medium/large business	1000	950	1000
T2&5 Sponsor licence - medium/large business	1000	880	1000
T2, 4 & 5 Sponsor licence - medium/large business	1000	950	1000
T2 Certificate of Sponsorship	170	25	170

Fees for Sponsorship under the Points Based System

7.9 We recognise the importance of keeping direct costs to sponsors under the Points Based System as low as possible, particularly in the current economic climate. As such we propose to freeze the fees for acting as a sponsor and the certificate of sponsorship fee at the same level for the second successive year, whilst also maintaining our existing concessions for small businesses, charities, education providers and the arts and entertainment sectors. This is in line with our approach to set fee levels flexibly to take account of the UK's international competitiveness. This is a challenging time for the global economy; and particular pressure is being felt by UK industry at this time.

7.10 The following paragraphs explain where we have adjusted fees by more than an inflationary rate.

Long term / Other Visas

7.11 Long term visit visas are issued to frequent travellers, and entitle the applicant to visit the UK as often as they like over the 2, 5 or 10 year period granted, staying for a maximum of 6 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.

7.12 We believe this route continues to offer excellent value to the customer. On 10 year visits, the increase in volume demand this year (by approximately 70%) supports this. If we are to continue to offer the product – which is unique in the international market - then we need to ensure it is priced correctly and so we are proposing to better align our prices with what we charge for a single 6 month visit visa. We believe the correct level is £230 / £420 / £610.

7.13 The 'Other' visa category includes dependants of applicants who entered under old

employment visas, business visitors, parents of an EEA national child. The 'Other' visa fee still compares well to other visa routes. We propose an above inflationary increase from £215 to £230.

Settlement Applications

7.14 We propose an increase to family settlement visa fee from £585 to £644. We have made this proposal to better reflect the value of the product on offer. This will also bring the fee closer with those which we apply in the UK for indefinite leave to remain (ILR). This also reflects the forthcoming move to probationary citizenship, where there will be a single, clear route for work and family migrants.

7.15 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 accelerated route to settlement under this category of visa, whereby the majority of applicants need not apply for further temporary leave to remain in the UK, before settlement. This fee will also better align with fees we charge on economic routes, where applicants pay separately for a visa and any further leave to remain in the UK.

7.16 Finally within the settlement category we are proposing a new Dependent Relative fee of £1680. This category allows dependent parents, grandparents, and certain other relatives to join family members who are already 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.). Setting the fee at this level better reflects the significant benefits associated with this route. We also recognise that many of the people who come to the UK under this route create a disproportionate impact on public services such as health and social welfare, and we think it is right that those benefits are reflected in the price.

Dependants Applying to Extend their Leave in the UK.

7.17 Currently the UK Border Agency processes applications from dependants free of charge if they are submitted at the same time as the main application, although for each dependant the main applicant is required to contribute £50 to the Migration Impact Fund (MIF). This new fee reconciles our UK-based application fee structure with those prices we apply for visas. Individuals applying from overseas (including dependants) each pay a separate fee, and we wish to move to the same model for applications made in the UK, to reflect the fact that each individual within any given application bears a processing cost to us (as well as sometimes an independent set of entitlements for the individual).

7.18 The majority of respondents to our recent consultation were not in favour of charging an additional, separate fee for each dependant, with only a third in favour. We therefore think it is fair to just introduce a nominal charge of 10% of the main applicant's fee for all UK-based dependant applications. This helps to reduce the amount of cross-subsidy and then over time we would look to further align our dependant charging in the UK with the visa model overseas, but we plan keep volumes under close review to manage that transition carefully.

7.19 For each dependant, this fee is calculated as 10% of the main applicant's fee plus a contribution to the Migration Impacts Fund (MIF). For example, the indefinite leave to remain application for the main applicant costs £840, including a £50 to contribution towards the MIF. Each dependant would therefore pay a further £129 (10% of £790 plus their own MIF contribution of £50).

Premium Biometric Enrolment & Case-working

7.20 We propose introducing a new premium fee to support a limited pilot service of mobile case-working at a location to be determined by the customer (e.g. their home, workplace, etc.). This is in line with responses to our consultation that supported the development of optional premium services. That benefit is that when a person applies for further leave to remain using this service, a team from UK Border Agency will visit their premises and offer bespoke advice and assistance, casework their application, take biometrics and give the customer a decision there and then.

7.21 This wholly optional service, charged at £15,000 per application, is offered in direct response to demand the UK Border Agency is currently receiving from 'cash-rich, time-poor' customers, and the fee has been set at a level commensurate with the benefits such customers (who are likely to be of high economic worth) receive from the bespoke nature of the service. We plan to offer a maximum of 50 appointments over the year on a strictly controlled first come first served basis, and will review the service after a year. We are clear that development of such a service needs to be managed in a way which does not negatively affect any of the standard services on offer. This fee allows the Agency to pilot this service without any such detriment.

7.22 Indeed the revenue generated from such a service (which would likely be marginal in the context of overall visa income, given that we anticipate relatively low volume demand) would help offset pressure on fees for 'mainstream' customers. As well as supporting our charging

objectives for the system overall, it would also help us test the deployment of cutting-edge technology for potential wider rollout in future.

Tier 1 Post Study

7.23 We propose an above-inflationary £50 increase to the fee for Tier 1 post-study route in the UK.

7.24 We believe this increase better aligns this fee with that for other Tier 1 routes, where the entitlements, such as the ability to come and stay unsponsored, and unlimited access to the labour market, are most similar.

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

7.25 We propose an above-inflationary £50 increase to the fees for applications made in person at a Public Enquiry Office in the UK.

7.26 We believe this reflects the added benefit customers receive from this optional service, that enables them to get a quicker decision than if they applied by post.

Migration Impact Fund (MIF)

7.27 Additionally, for certain routes the fees will continue to incorporate a contribution to a fund to manage the transitional impacts of migration, in accordance with the Government's policy to create a fund to help local service providers deal with transitional pressures of migration.

7.28 The Government response to the Green Paper 'The Path to Citizenship', (July 2008) confirmed the creation of a fund, paid for by certain migrants, to support public services in managing the local transitional pressures from migration. The MIF went live on 6 April 2009 and has provided £35 million in 2009-10 to support projects across a number of key areas including: community safety; English for speakers of other languages; children and young people's services; health; housing and homelessness support; advice and interpretation. A further £35 million will be spent in 2010-2011.

7.29 The Prime Minister in his immigration speech on 12 November, recognised that whilst migration brings benefits to the UK, there are risks and costs which the Government should

acknowledge and do its best to minimise. He identified understanding and managing the impact of immigration at local as well as national level as a priority and the Migration Impact Fund is a key element of this.

Consolidation

7.30 There have been no amendments to the Immigration and Nationality (Fees) Regulations 2009.

7.31 These Regulations revoke and replace the Immigration and Nationality (Fees) Regulations 2009 (S.I. 2009/421) to improve their legibility for all stakeholders, customers, practitioners and officials.

8. Consultation outcome

8.1 During the course of 2003/04, following full public consultation, the Home Office introduced charges for a range of immigration applications to ensure that those who use and benefit from the UK system met the cost of delivering the administrative service provided.

8.2 A further 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 3000 people. The formal Government response to the public consultation was published on 7 March 2007, and is published at: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/closedconsultations/newchargingregime/

8.3 The consultation established the principle that from April 2007 onwards, UK Border Agency will 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.

8.4 A further, 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 provided to migrants and sponsors under the Points Based System in 2008.

8.5 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 till 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 the UK Border Agency's behalf.

8.6 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.

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

9. Guidance

9.1 We will publish full details of the new fee levels and their commencement dates in a Written Ministerial Statement. Full details of each fee and guidance to customers on how to apply under each route will be published on the UK Border Agency website.

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, and application trends are monitored by UK Border Agency on a monthly basis. Analysis of application trends is monitored by the cross-Whitehall fees committee to ensure that fee levels generate sufficient revenue to cover UK Border Agency delivery costs but do not adversely impact on the UK economy. We would seek to amend these fee levels were there evidence of such adverse impact.

13. Contact

13.1 Geetha Muthusamy at the Charging Programme of the UK Border Agency, [Tel: 0114 207 2295 or email: Geetha.Muthusamy@homeoffice.gsi.gov.uk] can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency:	Title: **Impact Assessment of Fee Changes for Settlement Routes, Long-Term Visitor Visas, Other visas, Leave to Remain in the UK as a dependent and Leave to Remain as a Tier 1 (Post Study) Migrant.**	
UK Border Agency		
Stage: **Final**	Version: 1.0	Date: **18 January 2010**

Related Publications: Consultation on Charging for Immigration & Visa Applications, Earning the right to stay: A new points test for citizenship, The path to citizenship: next steps in reforming the immigration system.

Available to view or download at: **www.ukba.homeoffice.gov.uk**

Contact for enquiries: Charging Policy Team, Vulcan House (Steel), Sheffield, PO Box 3468, S3 8NU.

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

Economic circumstances means that it is harder to predict the numbers of migrants that will apply to come to the UK. Continuing to offer these fees at current levels carries an increased risk that the UK Border Agency may not recover costs, increasing the burden on the UK taxpayer, and reducing the Agency's ability to secure the border and control migration for the benefit of the UK.

What are the policy objectives and the intended effects?

The Government's charging policy objectives are:

- That those who benefit directly from our immigration system (migrants, employers and educational institutions) should contribute to the costs of the system and share the burden with the taxpayer;
- That we align more of our In UK and overseas fees; and
- That we keep our fees fair, sustainable and competitive.

The specific objective for the fees covered in this impact assessment is that applicants should pay more than the administrative cost of their application in recognition of the benefits they receive from that application. The revenue generated is used to fund the wider immigration system and to cross subsidise lower fees to support wider Government objectives (such as offering tourist visas below administrative cost in recognition of the economic benefits tourism brings to the UK).

What policy options have been considered? Please justify any preferred option.

Option 1: Do Minimum, Retain current fee levels for settlement visas, 10 Year visit visas, Indefinite Leave to Remain and Leave to Remain as a Tier 1 (Post Study) Migrant.

Option 2: Increase the Settlement visa fee to £644. Increase the fee for settlement as a dependant relative to £1680. Increase the 'other' visa and 2 year visit visa fee to £230, the 5 year visit visa to £420 and the 10 year visit visa fee to £610. Set a fee for dependants applying to extend leave in the UK and increase the fee for Leave to Remain as a Tier 1 (Post Study) Migrant to £550.

The preferred option is option 2.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

We regularly review of volumes of applications against projected demand with the assumption of fee changes where necessary to reflect the cost changes or significant demand impacts.

Ministerial Sign-off For Implementation Stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options

Signed by the responsible Minister:

Phil Woolas .....Date: **18.01.2010**

Summary: Analysis & Evidence

Policy Option: 2	Description: Targeted increases to UK Border Agency Fees

COSTS

ANNUAL COSTS	
One-off (Transition)	**Yrs**
£	5
Average Annual Cost (excluding one-off)	
£ 8.1m	

Description and scale of **key monetised costs** by 'main affected groups'. The economy will lose £36.6m (PV) in output and income from a reduction in the numbers of migrants coming or remaining in the UK to work, study and visit. UKBA will lose £1.5m (PV) from a net decrease in the volume of applications as a result of fee changes.

Total Cost (PV) **£ 38.0m**

Other **key non-monetised costs** by 'main affected groups' Risks to UK economy of significant impact on volumes

BENEFITS

ANNUAL BENEFITS	
One-off	**Yrs**
£	5
Average Annual Benefit (excluding one-off)	
£ 31.5m	

Description and scale of **key monetised benefits** by 'main affected groups' Higher immigration and visa fees will increase fee income to the UK from those that still apply to come to the UK

Total Benefit (PV) **£ 147.3**

Other **key non-monetised benefits** by 'main affected groups' Reduction in the costs associated with transitional impacts of migration

Key Assumptions/Sensitivities/Risks Wage elasticity of labour supply of 0.5 for PBS routes Tiers 1, 2 and 5; and airfare elasticity of -0.46 for long term (10 years) UK Visitor visa route were used to estimate the likely decrease in numbers of applications as a consequence of the proposed fee increases. The range used below is -2.0 to 0 based on price and wage elasticities.

Price Base Year 2010	Time Period Years 5	**Net Benefit Range** (NPV) **£ +97.7m to +147.5m**	**NET BENEFIT** (NPV Best estimate) **£ 109.2m**

What is the geographic coverage of the policy/option?			Worldwide	
On what date will the policy be implemented?			April 2010	
Which organisation(s) will enforce the policy?			UK Border Agency	
What is the total annual cost of enforcement for these organisations?			£0	
Does enforcement comply with Hampton principles?			Yes	
Will implementation go beyond minimum EU requirements?			N/A	
What is the value of the proposed offsetting measure per year?			£0	
What is the value of changes in greenhouse gas emissions?			£0	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)			(Increase - Decrease)
Increase of £ 0	Decrease of £ 0	**Net Impact**	**£** 0

Key:	**Annual costs and benefits: Constant Prices**	**(Net) Present Value**

1. BACKGROUND

The UK Border Agency was established in April 2008 to create a strong new force at the border by bringing together immigration, customs and visa checks to strengthen the UK Borders. We want the UK to stay open and attractive for both business and visitors, but at the same time we are determined to deliver a system of border control which is among the strongest in the world.

We are all familiar with the high public interest which surrounds immigration as a whole and this is only right. Increased flows of people around the world make securing our border one of our toughest challenges. There is widespread acceptance that migration is a key factor in our economic growth but also concern about the possible impact on public services and communities.

We have made substantial progress in recent years in meeting the challenges posed by migration. The introduction of the Points Based System (PBS) allows us to operate a flexible migration system to the benefit of the UK. PBS helps us support employers who comply with the rules, and targets those who abuse them. PBS also encourages the Government policy to up-skill resident workers and only bring skilled migrant workers where an employer has carried out a resident labour market test or the job is on the shortage occupation list, as identified by the Migration Advisory Committee.

Securing our border and controlling migration for the benefit of the UK costs approximately **£2 billion** per annum. We believe it is right that those who use the system make an appropriate contribution to meeting these costs, to help manage the burden on the UK taxpayer, and recover a contribution through the fees

We set application fees based on a number of factors, working within strict financial limits agreed with HM Treasury and Parliament. We currently set fees flexibly. Some fees are set 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 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 to support tourism).

In response to our recent consultation on Charging for Immigration and Visa applications, 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 consultation is published at:
http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/consultations/closedconsultations/charging09/

2. RATIONALE FOR GOVERNMENT INTERVENTION

We want to make sure that the charging system as a whole continues to contribute towards the costs of running the immigration system, however, in the current economic climate it is harder to predict the numbers of migrants that will apply to come to the UK. This increases risk to the Agency, and maintaining fees at current levels would not allow us 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 the burden on the taxpayer does not increase. We have considered a number fees options to reduce the risk.

3. POLICY 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) should contribute to the costs of the system and share the burden with the taxpayer;

- That we align more of our In UK and overseas fees; and
- That we keep our fees fair, sustainable and competitive.

This Impact Assessment examines the costs and benefits of the different options considered for the fees for:
Settlement Routes
Long Term Visit Visas
Other Visas
Dependents applying to extend their Leave to Remain in the UK
Leave to Remain – Tier 1 (Post Study) Migrant

Settlement Routes

We propose an increase to family settlement visa fee from £585 to £644. We have made this proposal to better align our fees for indefinite leave at the visa application stage, with those which we apply in the UK for ILR. This alignment also reflects the forthcoming move to probationary citizenship, where there will be a single, clear route for work and family migrants.

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, whereby the majority of applicants need not apply for further temporary leave to remain in the UK, before settlement. This fee will also better align with fees we charge on economic routes, where applicants pay separately for a visa and any further leave to remain in the UK.

Finally within the settlement category, we are proposing a new Dependent Relative fee of £1680. 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 also recognise that many of the people who come to the UK under this route create a disproportionate impact on public services such as health and social welfare, and we think it is right that those benefits are reflected in the price. Setting the fee at this level aligns it with the end to end costs paid by other family relatives for routes to settlement, and meets our objective to align fees in and out of the UK.

Long Term Visit / Other visas

We propose above-inflationary fee increases to the Long term visit visa. These allow applicants to make multiple visits to the UK within a 2, 5 or 10 year period. Applicants 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. On 10 year (Long Term) Visit Visas, there is a larger increase from £500 to £610. An increase in volume demand this year (by approximately 70%), despite last year's price increases, supports this. If we are to continue to offer the product – which is unique in the international market - then we need to ensure it is priced correctly and so we are proposing to re-align it with what we charge for a 6 month, 2 year and 5 year visit visa. We believe that the appropriate level is £610: anything lower risks impacting significantly on the Agency's income in lost 'renewals' of shorter-term visit visas.

The 'Other' visa category includes dependants of applicants who entered under old employment visas, business visitors, parents of an EEA national child. The 'Other' visa fee still compares well to other visa routes. We propose an above inflationary increase from £215 to £230.

Dependants Applying to Extend their Leave in the UK.

We propose a nominal 10% fee for all UK-based dependant applications. This new fee reconciles our UK-based application fee structure with those prices we apply for visas. Individuals applying from overseas (including dependants) pay a separate fee, and we wish to move to the same model in the UK, to reflect the fact that each individual within any given application bears a processing cost to us (as well as sometimes an independent set of entitlements for the individual). This is in line with our objective to align fees in and out of the UK.

Tier 1 Post Study

We propose a £50 increase to the fee for Tier 1 post-study route, both in the UK and overseas.

We believe this increase better aligns this fee with that for other Tier 1 routes, where the entitlements (such as the ability to come and stay unsponsored, and unlimited access to the labour market) are most similar.

4. OPTIONS

We have not considered options that increase fees payable by UK businesses. In the current economic circumstances, UK Border Agency wants to play its part by minimising the burden on UK businesses where possible.

The different immigration routes and the complexity of inter-related factors involved means that there are a number of ways this could be done within our flexible approach to charging. To keep this impact assessment workable, we have narrowed this scope to considering 2 options:

Option 1: Do Minimum, Retain current fee levels.

Option 2: Increase the Settlement visa fee to £644. Increase the fee for settlement as a dependant relative to £1680. Increase the 2 year and other visa fee to £230. Increase the 5 year visit visa to £420, and the 10 year visit visa fee to £610. Increase the fee for Leave to Remain as a Tier 1 (Post Study) Migrant to £550 and set a fee for dependants applying to extend leave in the UK.

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The preferred option is option 2 as this will help reduce the level of risk to the UK Border Agency where the numbers of migrants applying to come to the UK is uncertain, and will also manage the burden on the taxpayer. The preferred option also meets the UK Border Agency's 3 Charging Policy objectives.

5. COSTS AND BENEFITS

A model was developed to examine the **additional** costs and benefits to society and the economy of option 2 compared with option 1 over a five-year period (10/11 to 14/15). Option 1 is denoted as the 'do nothing' option with no additional costs and benefits and is the baseline used for comparison.

5.1 Impact on Volumes

The key impact of increasing fees to generate the fund will be that productive migrants will be deterred from coming to the UK. Initial modelling based on a number of uncertain assumptions has been used to estimate the potential impacts of additional fees on volumes of migrants willing to supply their labour to the UK, demanding to come to the UK for study purposes or deciding to come to the UK for a long-term visit.

Most of the fee changes under option 2 fall upon the dependent; so we assume zero economic loss in terms of output and income forgone to the UK economy from a reduction in the number of applicants. However, we still estimate expected annual earnings for the principal in order to calculate percentage change in dependent volumes given that we assume both the principal and dependent have similar elasticities i.e. the dependent is equally as responsive as the principal when it comes to price changes. This is because we assume the principal makes the ultimate decision on whether or not to apply for a UK visa or immigration product.

To work out the impact of additional fees on application volumes; elasticities were applied to the proposed routes. For the Long-term UK Visitor (10 year) visa route we used an airfare elasticity of demand of -0.46[1]; while for all other migrant routes a wage elasticity of labour supply of 0.5 is applied to the full expected wage during their stay in the UK, which is consistent with previous fee impact assessments. However, no empirical studies on the wage elasticity of migrant labour supply and price

[1]Based on DfT study - UK Air Passenger Demand and CO2 Forecasts (2009)

elasticity of high education to the UK have been found so general studies on these respective elasticities are used as an estimate.

5.2 Net Benefit

This results in a decrease in output of £38 million over 5 years but an increase in government revenue from outside the UK of £147 million (discounted by 3.5% a year). The NPV calculation is therefore +£109.2 million over 5 years. The NPV range of £97.7 to £147.5 is calculated using an elasticity range of -2.0 to 0 as indicated by available evidence in the annex to this assessment.

The key costs and benefits associated with option 2 are set out below:

Key Costs and Benefits of Fee Increases

Key Monetised Costs

To economy

- **Reduction in fee income from deterred out of country immigration applications**: income to UK economy (UKBA) from overseas may be deterred as a result of fee increases

  Option 2: This is estimated at £303,976 for 2010/11 and £1.5m for the next five years.

- **Reduction in output from deterred migrants**: costs of lost productive output and income where migrants are deterred from coming to or remaining in the UK for work, study or visit.

  Option 2: This is estimated at £7.8m for 2010/11 and £39.2m for the next five years.

Key Non- Monetised Costs

- Risks to UK economy of significant impact on volumes

Key Monetised Benefits

To economy

- **Increased fee income to the UK**: higher immigration and visa fees will increase fee income to the UK from those that still apply to come to the UK

  Option 2: This is estimated at £31.5m for 2010/11 and £157.6 m for the next five years.

Key Non- Monetised Benefits

- Option 2: Public confidence in secure borders and that migration is controlled for the benefit of the UK.

Under option 2, there is a potential net benefit to the economy of £23.4 m in 2010/11 and £116.8m for the next five years (present value); exceeding the value of output lost from those who decide to no longer apply to come to the UK. Overall we expect volumes to decrease by approximately 1,023 for these routes in response to the rise in price.

Table 1: Summary results of cost-benefit analysis

	OPTION 2	
	2010/11	10/11-14/15
Benefits		
Net Revenue raised from fee changes for those who continue to apply:	£31,511,865	£157,559,323
Total Benefits (PV)	**£31,511,865**	**£147,254,944**
Costs		
Revenue from net decrease in the volume of applications as a result of fee changes:	-£303,976	-£1,519,882
Output loss from net decrease in migrants coming/ remaining in the UK:	-£7,843,188	-£39,215,942
Total costs (PV)	**-£8,147,165**	**-£38,071,701**
Net benefit (PV)	**£23,364,700**	**£109,183,243**

Sensitivity Analysis

The key unknown variables are wage elasticity of labour supply, price elasticity of demand for higher education and airfare elasticity of demand. A literature review of empirical studies suggests a wide range of aggregate wage elasticity of labour supply from –0.1 to 1.1, price elasticity of higher education demand from -1.0 to -2.0 and airfare elasticity of demand ranging from -0.2 to -1.0 (see table 1 in the annex for further details). A lower bound price elasticity of -2.0 could result in 1130 and 5,650 fewer applications for option 2 in 10/11 and over the next five years respectively resulting in a decrease in net benefits (PV) to the economy of £2.5m and £12.3m respectively.

For consistency with previous Fee Impact Assessments, an upper bound of zero is used for the elasticity of labour supply and higher education demand. For option 2, this gives an expected net benefit of £147.5m over the next five years from the gain in revenue from overseas applications (there is no output loss).

6. MONITORING and EVALUATION

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

7. FEEDBACK

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

8. OTHER SPECIFIC IMPACT TESTS

Having carefully considered the remaining specific impact tests, we believe that these proposals will have no significant discernable impact on these areas. The fees are not payable by UK businesses; they apply to migrants applying to come to the UK (not including EEA nationals or refugees).

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	*Results in Evidence Base?*	*Results annexed?*
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

Annexes

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 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 studies of the price elasticity for foreign visitors to the UK

Source	Estimate of price elasticity of demand	Measure
DCMS commissioned report on Drivers of Tourism Demand to UK. Business visitors (*Tourism Taxation)*	Tourist visitor and Transit visitor elasticity	-1.6
Gillen, Morrison & Stewart (2003) 'Air Travel Demand Elasticities: Concepts, issues & Measurement'.	Review of the economics and business literature on empirically-estimated own-price elasticities of demand for air travel for Canada and other major developed countries	-0.1 to -2.1
Dargay, J.M.; Hanly M. *The Demand for Air Travel in Great Britain*	Examine the effects of airfares on air travel demand using a dynamic	Leisure fare elasticity of -0.58

(2001)	econometric model relating air travel demand to real fares, income and other contributing factors	
DfT UK Air Passenger Demand and CO_2 Forecasts (Jan 2009)	National demand is forecast, unconstrained by airport capacities, with the econometric National Air Passenger Demand Model	Air fare elasticity of -0.46 UK Leisure of -1.0 Foreign Leisure of -0.2

Table 2: Estimated Impact on Volumes of Option 2

Application type	**A**	**B**	**C**	**D**	**E**
Visas	Change in fee	Annual expected wage	Expected wage over leave entitlement	% change in expected wage (A/C)	% change in volumes (D*elasticity of labour supply)
Settlement Visa	£59	£5,578	£221,355	0.03%	-0.01%
Settlement Visa - Dependent Relative	£1,095	£0	£221,355	N/A	-0.25%
Visitor Visa - Long-Term (2 yr)	£15	£1,015	£2,120	0.79%	-0.36%
Visitor Visor - Long- Term (5 yr)	£20	£1,015	£5,301	0.41%	-0.19%
Visitor Visa - Long-Term (10 yr)	£110	£1,015	£10,602	1.09%	-0.50%
Visitor Visa – Other	£15	£0	£29,126	N/A	-0.02%
UK-based Extensions of Leave					
Indefinite Leave to Remain (ILR) - Dependent Relative	£860	£20,395	£781,210	0.01%	-0.01%
Tier 1 (Post Study) Postal	£50	£17,715	£36,999	0.14%	-0.07%
Dependents - 10% of Main Applicant Fee (Non-PBS)					
ILR Postal *	£79	£0	£0	N/A	-0.01%
ILR Postal (CESC) *	£72	£0	£0	N/A	0.00%
ILR PEO *	£100	£0	£0	N/A	-0.01%
ILR PEO (CESC) *	£89	£0	£0	N/A	-0.01%
ILR Dependant Relative (Postal) *	£163	£0	£0	N/A	0.00%
ILR Dependant Relative (PEO) *	£183	£0	£0	N/A	-0.01%
Leave to Remain Non Student Postal *	£43	£0	£0	N/A	-0.01%
Leave to Remain Non Student PEO *	£63	£0	£0	N/A	-0.01%
Transfer of Conditions Postal	£12	£0	£0	N/A	0.00%
Transfer of Conditions PEO	£48	£0	£0	N/A	-0.01%
Nationality 6(1) Joint*	£66	£0	£0	N/A	0.00%
Nationality 6(2) Others*	£61	£0	£0	N/A	0.00%
Nationality Registration Multiple Minors	£47	£0	£0	N/A	0.00%
Dependents - 10% of Main Applicant Fee (PBS)					
T1 (General) - Postal *	£79	£0	£0	N/A	-0.05%
T1 (General) - PEO *	£100	£0	£0	N/A	-0.06%
T1 (General/Entrepreneur) CESC Postal *	£72	£0	£0	N/A	-0.04%
T1 (General/Entrepreneur) CESC PEO *	£89	£0	£0	N/A	-0.05%
T1 (Invs or Ent) - Postal *	£79	£0	£0	N/A	-0.05%
T1 (Invs or Ent) - PEO *	£100	£0	£0	N/A	-0.06%
T1 (Post Study) – Postal	£50	£0	£0	N/A	-0.07%
T1 (Post Study) - PEO *	£70	£0	£0	N/A	-0.09%
Tier 1 (Transition) Postal*	£36	£0	£0	N/A	-0.02%
Tier 1 (Transition) PEO*	£56	£0	£0	N/A	-0.03%

T2 - Postal *	£43	£0	£0	N/A	-0.03%
T2 - PEO *	£63	£0	£0	N/A	-0.04%
T2 CESC Postal *	£38	£0	£0	N/A	-0.02%
T2 CESC PEO *	£57	£0	£0	N/A	-0.04%
T4 - Postal *	£31	£0	£0	N/A	-0.15%
T4 - PEO *	£53	£0	£0	N/A	-0.26%
T5 – Postal	£8	£0	£0	N/A	-0.10%
T5 – PEO	£48	£0	£0	N/A	-0.60%
T5 CESC Postal	£6	£0	£0	N/A	-0.08%
T5 CESC PEO	£42	£0	£0	N/A	-0.53%

Table 3 - Full results of Cost Benefit Analysis

	2010/11	2011/12	2012/13	2013/14	2014/15	Total	Average
Benefits							
Net Revenue raised from fee changes for those who continue to apply	£31,511,865	£31,511,865	£31,511,865	£31,511,865	£31,511,865	**£157,559,323**	£31,511,865
Total Beneifts (PV)	£31,511,865	£30,446,764	£29,416,326	£28,420,551	£27,459,439	**£147,254,944**	£29,450,989
Costs							
Revenue from net decrease in the volume of applications as a result of fee changes	-£303,976	-£303,976	-£303,976	-£303,976	-£303,976	**-£1,519,882**	-£303,976
Output loss from net decrease in migrants coming/ remaining in the UK	-£7,843,188	-£7,843,188	-£7,843,188	-£7,843,188	-£7,843,188	**-£39,215,942**	-£7,843,188
Total costs (PV)	-£8,147,165	-£7,871,791	-£7,605,378	-£7,347,928	-£7,099,439	**-£38,071,701**	-£7,614,340
Net benefit (PV)	£23,364,700	£22,574,973	£21,810,947	£21,072,623	£20,360,000	**£109,183,243**	£21,836,649