

Impact Assessment, The Home Office

Title: Impact assessment for Immigration and Nationality (Fees) Regulations (Amendment) 2023

IA No: HO 0439

RPC Reference No: N/A

Other departments or agencies: N/A

Date: 15 September 2023

Stage: FINAL

Intervention: Domestic

Measure: Secondary legislation

Enquiries:

feesandincomeplanning.requests
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RPC Opinion: N/A

Business Impact Target: Not a regulatory provision

Cost of Preferred (or more likely) Option (in 2023/24 prices)

Net Present Social Value NPSV (£m)	2,097.8	Business Net Present Value BNPV (£m)	-182.8	Net cost to business per year EANDCB (£m)	-27.8
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What is the problem under consideration? Why is government intervention necessary?

The Home Office is seeking to generate further income from immigration and nationality fees in order to meet costs within the migration and borders system and help achieve a balanced overall financial position. An amendment is required to the Immigration and Nationality (Fees) Regulations 2018 in order to deliver further income for the 2023/24 financial year as well as in future years.

What is the strategic objective? What are the main policy objectives and intended effects?

The strategic objective is to enable the legitimate movement of people and goods to support economic prosperity. The policy objective is to support the sustainable funding of the borders and migration system and simplify the fees payable by customers. The revenue generated by these changes will serve to address wider costs and pressures in the system, in support of the Home Office's wider objective of operating a self-funded borders and migration system and reducing reliance on the UK taxpayer.

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

Option 1: Do nothing. No changes are introduced and visa fees remain at the 2022 level. This does not meet the Government's objectives.

Option 2: Increase visa fees for 2023/24 as proposed (see Annex A). **This is the Government's preferred option** as it is expected to enable the Home Office to achieve its strategic objectives.

Main assumptions/sensitivities and economic/analytical risks

Discount rate (%)

3.5

Baseline volumes of visa applications are based on Home Office internal planning assumptions. The volumes used are highly uncertain and may not match actual numbers in future published statistics. The impact of increased visa fees on volumes is based on assumptions of price elasticity of demand for visas. The analysis uses proxies of the price elasticity for visa demand from academic literature. Exchequer impacts are based on assumed expenditure and associated tax contributions.

Will the policy be reviewed? Ongoing review **If applicable, set review date:** N/A

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

Jella Braverman

Date: 15/09/2023

Summary: Analysis & Evidence

Policy Option 2

Description: Increase visa fees for 2023/2024 as proposed (see Annex A)

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2023/24	PV Base	2023/24	Appraisal	5	Transition	0
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	1,699.9	High:	2,411.4	Best:	2,097.8	Best BNPV	-182.8	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	-	-	-	-	-104.5
High	-	-713.8	-713.8	-155.1	-293.3
Best Estimate	-	-285.5	-285.5	-62.0	-187.0

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

Indirect: UK Exchequer: Reduction in tax revenue -£212m, Education sector: Reduction in tuition fee income -£48m, Home Office: Lower revenue due to lower application volumes from a fee increase -£18m and Loss in Premium Service revenue -£1m, Department for Health and Social Care: Reduction in Immigration Health Surcharge (IHS) revenue -£7m

Transfers: UK Business: Higher Certificate of Sponsorship (CoS) / Confirmation of Acceptance for Studies (CAS) contributions -£139m, UK resident population: Higher fee contributions -£222m, His Majesty's Government: Reduction in ISC revenue -£4m Reduction in CoS/CAS revenue -£0.5m

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

The monetised cost of migrant spending modelled in this IA covers the proportion of spending accrued to the Government. There may be wider indirect costs to businesses which are not monetised but are considered in a set of indicative scenarios as a sensitivity.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	-	1,699.9	1,699.9	364.8	-
High	-	3,125.2	3,125.2	671.4	10.3
Best Estimate	-	2,383.4	2,383.4	511.8	4.1

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

Direct: Home Office: Increased revenue from changes to visa fees £1,486m and Increased revenue from changes to Priority Service fees £776m

Indirect: UK Exchequer: Lower public service provision costs £110m, UK Visa & Immigration: Lower visa processing costs £10m and Lower CoS/CAS processing costs £1m, Home Office: Lower IHS/Immigration Skills Charge (ISC) processing costs £0.2m.

Transfers: HMG: Higher CoS/CAS fee contributions from UK organisations £139m and higher fee contributions from UK resident population £222m, UK Business: Reduction in ISC liability £4m and CoS/CAS liability £0.5m

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

Lower immigration to the UK may result in wider benefits, for example, reduced housing costs and reduced transport congestion. Such impacts are expected to be small.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:										
Cost, £m	-27.8	Benefit, £m	-	Net, £m	-27.8					
Score for Business Impact Target (qualifying provisions only) £m:					N/A					
Is this measure likely to impact on trade and investment?					N					
Are any of these organisations in scope?			Micro	Y	Small	Y	Medium	Y	Large	Y
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)					Traded:	N/A	Non-Traded:	N/A		

PEOPLE AND SPECIFIC IMPACTS ASSESSMENT (Option 2)

Are all relevant Specific Impacts included?	N	Are there any impacts on particular groups?	N
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A. Strategic objective and overview

A.1 Strategic objective

1. The strategic objective is to enable the legitimate movement of people and goods to support economic prosperity. The policy objective is to support the sustainable funding of the borders and migration system and simplify the fees payable by customers. The revenue generated by these changes will serve to address wider costs and pressures in the system, in support of the department's wider objective of operating a self-funded borders and migration system and reducing reliance on the UK taxpayer.

A.2 Background

2. The Government aims to move towards an immigration system that is substantially self-funded, where the costs of front-line migration and borders operations are recovered through fees paid by those who use and benefit from the system. Currently, if fee income is insufficient to fund operating costs, the remainder is met from general taxation. To ensure that the system is sustainable, the Government believes it is fair that those who use and benefit directly from the UK migration system make an appropriate contribution to meeting its costs, thereby reducing the burden on UK taxpayers.
3. The Immigration and Nationality (Fees) Order 2016 (the 2016 Order) sets the framework for border, immigration and nationality fees, including what categories of services can be provided and charged for, and the maximum amounts that can be charged for each category. Specific fee levels are set out in the Immigration and Nationality (Fees) Regulations 2018, and are kept under review.
4. Fee levels are set within strict financial limits and are agreed with HM Treasury, cross-government departments and are subject to Parliamentary scrutiny. They are also set in line with clear principles which balance a number of factors, in accordance with the Immigration Act 2014. These factors include the administrative costs of processing an application, the wider costs of the immigration system, and the benefits and entitlements of the product to a successful applicant. Other factors that may be used to set fees include the promotion of economic growth; comparable fees charged by other countries; and international agreements.
5. Within these criteria the Government will continue to consider the impact on the economy of changes to routes which promote economic growth and continue to attract those migrants and visitors who add significant value to the UK economy, while also considering the role that changes to fees can play in supporting the sustainable funding of the migration and borders system. This helps protect the economy, ensures migrants contribute towards the resources needed to fund the migration and borders system, and minimises the burden on the taxpayer. There is a sensitive balance between setting fee levels to support economic growth whilst ensuring that the immigration system is properly funded.
6. Some visa fees are set above the cost of delivery, to reflect the value of the product or the wider costs of the immigration system, and to ensure that the Home Office can set some fees at below cost. Some fees are set at below cost to support wider policy objectives. The department also waives fees in certain circumstances, for example, where individuals are destitute and need to access their Human Rights, for example, their right to a family life under Article 8 of the European Convention. Some fees are charged at cost to reflect the cost of delivery (or unit cost). Optional premium services charged above cost are offered to meet customer demands and support wider funding objectives.

A.3 Groups affected

7. The proposed policy package affects customers applying for immigration and nationality products and services, across a broad range of application categories. These include entry clearance, limited leave to remain, settlement and nationality. This impact will take the form of an increased fee for those products and services, as well a simpler fees structure for customers to navigate. There is also an impact on organisations sponsoring individuals to come to the UK for the purposes of work

or study, who will be required to pay a higher fee for a Certificate of Sponsorship (CoS) or Confirmation of Acceptance of Studies (CAS).

A.4 Consultation

8. At the end of 2013, the Home Office undertook a targeted consultation on charging principles in support of the framework set out in the Immigration Act 2014, which was approved by Parliament. Immigration and nationality fees continue to be set within this framework.¹
9. Fee proposals are assessed in the context of broader government objectives by officials from all relevant government departments. They consider a range of factors including the UK's attractiveness in key markets (such as tourism, business, and education) to ensure a balance is maintained between keeping fees at fair and sustainable levels and the Home Office's need to recover its operating costs in order to move towards a self-funded system. The proposals contained in this Impact Assessment (IA) have been agreed in principle with other government departments (OGDs).

B. Rationale for intervention

10. The Home Office ensures that the fees it charges for immigration and nationality services are set at appropriate levels to contribute adequately towards the costs of running the migration and borders system, as agreed as part of the Home Office's Spending Review settlement in 2015. The Home Office has continued to adopt this approach as a planning assumption to underpin the 2021 Spending Round settlement. As fees do not automatically rise with changes in inflation, there has been a fall in the price of visa and immigration products in real terms over this period.
11. The financial constraints on public spending mean the Home Office needs to continue to keep fees under review to ensure sufficient revenue is generated to forward its aims of reducing the taxpayer's contribution to the running of the migration and borders system, maintaining public confidence, and ensuring that migration is managed for the benefit of the UK.
12. Additionally, the Home Office is seeking appropriate opportunities to harmonise fees such that the same level is charged on a route, regardless of whether the applicant is applying in or out of country. This is being done to simplify the fees structure, to align with the fees setting approach that has been adopted for new routes in recent years, and to reflect the changing nature of caseworking operations (which historically were characterised by a more distinct split between in and out of country operations). The approach to alignment also supports broader goals around revenue generation and funding of the migration and borders system.

C. Policy objective

13. The Government's policy objectives on charging for immigration remain in line with objectives set out in previous Fee Orders and Regulations. These objectives apply for the entirety of the appraisal period and can be measured. They are:
 - Those who use and benefit directly from the system (migrants, employers and educational institutions) contribute towards its costs, reducing the contribution of the taxpayer.
 - The fees system is as simple as possible, aligning fees where entitlements are similar.
 - Fees are set in line with the appropriate powers contained in the Immigration Act 2014.

¹ Home Office Outcome Delivery Plan: 2021 to 2022 - GOV.UK: <https://www.gov.uk/government/publications/home-office-outcome-delivery-plan/home-office-outcome-delivery-plan-2021-to-2022#c-delivery-plans-for-priority-outcomes>

D. Options considered and implementation

14. Two options have been considered:

- a. **Option 1: Do nothing.** Under the do nothing option, visa fees would remain at their current level and would not be increased. This would mean that reliance on UK taxpayer funding is not reduced, or that savings would need to be found in order to ensure a balanced overall financial position.
- b. **Option 2: Increase visa fees** in line with the table set out in **Annex A**. In summary, this includes:
 - A 15 per cent increase to fees on visit routes, with the exception of Visit for up to 2 years, where a 6 per cent increase is applied due to constraints posed by maxima that were in force at the time these increases were agreed cross-Government, as set out in the Immigration and Nationality (Fees) Order 2016
 - A 15 per cent increase to fees on work routes. In some cases, a proportionally lower increase is applied due to the constraints posed by fee maxima that were in force at the time these increases were agreed.
 - Alignment of fees on the student route, with the out of country fee increased by 35 per cent to align with the in country fee (which is at the cap imposed by the fee maxima that was in force at the time these increases were agreed).
 - A 20 per cent increase to fees on wider entry clearance routes (for example, Route to Settlement), as well as for settlement and applications for British citizenship. A lower 4% increase is applied to the fee for 'Route to Settlement – Refugee Dependent Relative', which has historically been set at the unit cost – the increase will bring the fee into line with the unit cost as estimated in a broader refresh of unit costs that was published in April 2022.
 - Increases to fees for Convention Travel Documents to maintain alignment with the fees charged for equivalent passport products. This follows an increase to passport fees that came into effect on 2 February 2023.
 - A 20 per cent increase to fees charged for CoS and CAS, which are currently set below the estimated unit cost.
 - Alignment of fees charged for optional Priority Visa (PV) and Super Priority Visa (SPV) expedited application processing services, across applications made in and out of country. PV will be aligned at £500 and SPV at £1000.
 - An increase in the User Pays Visa Application Centre (VAC) fee from £55 to £76.50, to reflect increased commercial costs.

15. **Option 2 is the Government's preferred option** as it best meets the Government's objectives, in particular that those who use and benefit directly from the system contribute towards its costs, reducing the contribution of the taxpayer.

E. Appraisal

16. This IA focuses on the proposed fee changes for standard service visas and estimates the associated economic and social costs and benefits, henceforth referred to as Option 2:
 - A 15 per cent increase to fees on visit routes, with the exception of Visit for up to 2 years, where a 6 per cent increase is applied due to constraints posed by maxima that were in force at the time these increases were agreed cross-Government, as set out in the Immigration and Nationality (Fees) Order 2016

- A 15 per cent increase to fees on work routes. In some cases, a proportionally lower increase is applied due to the constraints posed by fee maxima that were in force at the time these increases were agreed.
 - Alignment of fees on the student route, with the out of country fee increased by 35 per cent to align with the in country fee (which is at the cap imposed by the fee maxima that was in force at the time these increases were agreed).
 - A 20 per cent increase to fees on wider entry clearance routes (for example, Route to Settlement), as well as for settlement and applications for British citizenship. A lower 4% increase is applied to the fee for 'Route to Settlement – Refugee Dependent Relative', which has historically been set at the unit cost – the increase will bring the fee into line with the unit cost as estimated in a broader refresh of unit costs that was published in April 2022.
 - A 20 per cent increase to fees charged for CoS and CAS, which are currently set below the estimated unit cost.
17. The analysis produces a net present social value (NPSV) of increases in visa fees under Option 2 using the Home Office's central scenarios of: future visa demand volumes; responsiveness of applicants to changes in visa fees (price elasticity of demand); fiscal pressure (public spending) per migrant; and fiscal revenue collected per migrant. A low and a high scenario are generated around the central case using low and high elasticity and volume assumptions.
18. Section **E.10** on sensitivity analysis outlines further ranges around the central estimate by varying assumptions on application volumes, demand elasticity, fiscal pressure per migrant and fiscal revenue collected per migrant. Also included is a range of the impact of foregone visitor spend which could be attributed to the domestic economy.
19. Indicative scenario analysis has been carried out to assess the potential impact from the proposed alignment of fees charged for PV and SPV services across the immigration system. Premium services such as PV and SPV are optional services which are not expected to impact overall application volumes and overall migration. **Annex C** outlines the summary of the estimated impact. The NPSV of Option 2 includes the rise in Home Office revenue from applicants not dissuaded from applying for a visa by the increase in standard service fees summarised in paragraph 16.

E.1 General assumptions and data

E.1.1 Analytical approach

20. In line with previous Home Office analysis and following recommendations made by the Migration Advisory Committee (MAC),² this IA considers the impact of the options on the welfare of the UK resident population. Besides the effect on government revenue and processing costs due to changes in visa fees, the NSPV calculation includes the effect of changes in contributions to direct and indirect taxes, the effect on consumption of public services and on tuition fees paid by international students, where possible.
21. As the MAC acknowledges, the resident population is not simple to define. In this IA, the resident population is considered to be UK nationals and migrants at the point of application for naturalization as British citizens. For the purpose of this IA, applicants for entry clearance, leave to remain (LTR) or indefinite leave to remain (ILR) products are not considered as part of the resident population.

E.1.2 Appraisal period

22. The policy is appraised for five years, covering the period Q3 2023/2024 to Q2 2028/2029 (inclusive). The estimates presented in this IA assume that visa fees remain at the new proposed levels throughout the appraisal period. This should not be interpreted as an indication of future visa fee levels beyond 2023/2024, as these can be amended in future Fees Regulations. As visa fees are reviewed (and can be amended) annually, it is unreasonable to assume that the currently

² Migration Advisory Committee, Analysis of the Impact of Migration (January 2012)
<https://www.gov.uk/government/publications/analysis-of-the-impacts-of-migration>

proposed policy would not be superseded by future fee increases. Therefore, a shorter appraisal period has been used to avoid increased uncertainty over the longer time horizon.

E.1.3 Baseline volumes

Step 1 – Internal Home Office application estimates

23. The baseline volume of applicants for each visa product is based on Home Office internal estimates of expected applications over the appraisal period (Q3 2023/2024 to Q2 2028/2029), notwithstanding the policy change under Option 2. The volumes are used as the baseline against which the impact of proposed changes in visa fees are assessed. The estimates of future migrant demand for visa products across all immigration routes are projected up to the end of the 2024/2025 financial year, from which point demand is assumed to hold constant until the end of the appraisal period.
24. Home Office internal estimates of future application demand are indicative in nature and should be interpreted as such. This is due to uncertainty around the assumed behaviour of future visa applicants, particularly due to any lasting impact of Covid-19 and the associated recovery of visa volumes.
25. These internal volume estimates were last updated in early July 2023. As such, they capture the potential behavioural response of visa applicants following the increase in salary thresholds on several sponsored work visa routes (Skilled Worker, Health and Care, and Global Business Mobility).³ The baseline estimates do not reflect any immigration policy changes beyond that date.

Step 2 – Adjustment for application demand following policy changes on the student and graduate route

26. On the 17 July 2023, the Home Office introduced legislation to remove the ability of international students to i) bring dependants to the UK unless they are on a postgraduate course currently designated as a research programme; and ii) switch out of the student route into work routes before completion of their course. These policies could impact the volume of main and dependant applicants on the student and graduate routes beyond the internal Home Office estimates.
27. To estimate the impact of **Option 2**, the baseline estimates have been supplemented with behavioural response estimates as set out in the accompanying IA in response to the above policy change, in order to reflect the latest estimate of visa demand.

Resulting baseline volumes

28. Table 1 outlines the estimated volume of applicants affected by the proposed fee changes, grouped by wider immigration category following the adjustments set out above. The volumes reflect both main applicants and their dependants. The volumes do not represent all immigration products issued by the Home Office as routes which are not impacted by **Option 2** are not included.
29. The projections for sponsored skilled work visas could be impacted by both the proposed changes in CoS prices as well as the increase in individual visa fees. The volumes of out-of-country study visas could be impacted by both the proposed changes in CAS prices and the increase in student visa fees. As the fee for in-country study visas is not changed under **Option 2**, the volumes presented are only impacted by the proposed change in the price of CAS.

³ Home Office, Impact Assessment to accompany salary updates in April 2023 Immigration Rules, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1146120/Home_Office_Impact_Assessment_HO0443_-_Immigration_Rules_April_2023_-_Salary_changes.pdf

Table 1: Estimated visa application volumes (central scenario) for the period 2023/2024 to 2027/2028

Visa type		2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Out of country	Visit visas	2,754,000	2,980,000	2,980,000	2,980,000	2,980,000	2,980,000
	Investor, business development and talent work visas	12,000	12,000	12,000	12,000	12,000	12,000
	Sponsored skilled work visas	759,000	722,000	722,000	722,000	722,000	722,000
	Study visas	700,000	648,000	648,000	648,000	648,000	648,000
	Temporary work visas	95,000	105,000	105,000	105,000	105,000	105,000
	Family visas	67,000	75,000	75,000	75,000	75,000	75,000
	Other visas	49,000	49,000	49,000	49,000	49,000	49,000
In country	Investor, business development and talent work visas	6,000	6,000	6,000	6,000	6,000	6,000
	Sponsored skilled work visas	455,000	508,000	508,000	508,000	508,000	508,000
	Graduate route	177,000	189,000	165,000	162,000	162,000	162,000
	Study visa	65,000	92,000	91,000	90,000	90,000	90,000
	Temporary work visas	4,000	5,000	5,000	5,000	5,000	5,000
	Settlement and ILR	103,000	104,000	104,000	104,000	104,000	104,000
	Nationality and Citizenship*	203,000	200,000	200,000	200,000	200,000	200,000

Source: internal Home Office planning assumptions, rounded to the nearest thousand

*Nationality and Citizenship application demand estimates provided include both EU and Non-EU nationals. However, estimates do not take into account any behavioural change that may occur over the next few years as EU settlement scheme applicants reach 5 years UK residency and may also decide to apply for citizenship.

30. Low and high volume scenarios are generated to account for the uncertainty of the baseline. The low volume scenario is constructed under the assumption of baseline volumes being 25 per cent lower than in the central case. In a similar manner, the high volume scenario assumes that baseline volumes are 25 per cent above the central level.

E.1.4 Grant rates

31. The rates of visas granted under each route is calculated using internal Home Office data, and are summarised in **Annex B**. The grant rates for applications by domestic businesses or education institutions to sponsor workers or international students are assumed to be 100 per cent.

E.1.5 Fee levels and unit costs

32. The analysis measures the impact of increasing fees as set out in Annex A (proposed fee level column). Annex A also outlines the published estimates of unit costs for each visa category including the cost for CoS and CAS, and further details on how unit costs are calculated. Unit costs are assumed to remain unchanged across the appraisal period.

33. Visa and immigration products prices, although referred to as ‘fees’, are compulsory and unrequited charges; therefore, they have been classified as a tax by the ONS.⁴ Prices for visa charges are set deliberately at a level that results in global revenue received by the Home Office exceeding the global cost of providing the service. The resulting surplus is used for activities including securing the UK border against Class A drugs and preventing people-smuggling. As a result, there is an element of redistribution, where a surplus from the original payment (for legally entering the UK) is spent on activities which are unrelated to the administrative costs of providing a given visa. For these reasons, the proposals in Option 2 are not subject to HMT’s Managing Public Money⁵ framework.

E.1.6 Sponsorship fees

34. Domestic businesses wishing to sponsor foreign workers are subject to pay a Certificate of Sponsorship (CoS) fee, currently levied at £199 per individual migrant on skilled work routes and £21 on temporary work routes. Similarly, domestic education institutions sponsoring international students to enter and/or remain in the UK through the Student route are subject to a Confirmation of Acceptance for Studies (CAS) fee, set at £21 per individual. Sponsorship fees are only applicable to main applicants (i.e. the sponsored individual), not their dependants. This IA analyses the impact of changes to CoS and CAS fees as part of the wider policy package.

E.1.7 Immigration Health Surcharge

35. The Immigration (Health Charge) Order 2015 requires temporary migrants who make an immigration application to come to the UK for more than six months, or who apply to extend their stay in the UK, to make a direct contribution to the NHS via payment of an immigration health charge (often referred to as the immigration health surcharge (IHS)). The total amount surcharge payers are liable for is dependent on the duration of their visa. The full amount is payable upfront and in line with other fees as part of the visa application, although unsuccessful applicants receive a refund.⁶
36. Since July 2020, the rate has been set at £624 per person per year, with a concessionary rate of £470 for students and their dependants, children under the age of 18, and Youth Mobility Scheme applicants. The level of the IHS is assumed to remain unchanged across the appraisal period.

E.1.8 Immigration Skills Charge

37. Employers sponsoring migrant workers under Skilled Worker, Global Business Mobility, Health and Care, and Shortage Occupation List visa products are subject to pay the Immigration Skills Charge (ISC)⁷ for every employee who is assigned a CoS when applying to work in the UK for six months or more. ISC is applicable to overseas hires (out-of-country applicants), visa extensions and visa switches (in-country applicants). For the first 12 months of the length of employment stated on the CoS, current ISC fees are set at £364 for small or charitable sponsors, or at £1,000 for medium or large sponsors. Each additional six month period of time is charged at £182 for small or charitable sponsors, or at £500 for medium or large sponsors. The level of the ISC is assumed to remain unchanged across the appraisal period.

E.1.9 Price elasticity of demand

38. Increases in visa fees, such as under Option 2, could deter potential migrants from applying to enter or remain in the UK. This is due to higher fees representing a rise in the overall cost of moving to

⁴ Taxes and fees for sales of service: how they differ and why it is important - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/articles/taxesandfeesforsalesofservicehowtheydifferandwhyitisimportant/2019-05-31>

⁵ HM Treasury, Guidance - Managing Public Money: <https://www.gov.uk/government/publications/managing-public-money>

⁶ “Pay for UK healthcare as part of your immigration application”, GOV.UK: <https://www.gov.uk/healthcare-immigration-application/refunds>

⁷ Some exemptions may apply. Exemptions are set out in UK visa sponsorship for employers: Immigration skills charge - GOV.UK (www.gov.uk): <https://www.gov.uk/uk-visa-sponsorship-employers/immigration-skills-charge>

(or remaining in) the UK, or a reduction of the associated benefit of doing so. This IA applies estimates on the responsiveness of demand for visas to the proposed change in visa fee (price elasticity of demand for visa products) in order to quantify impact higher fees may have on application for each visa product.

39. There is very limited academic research on the price elasticity of demand for visas. Home Office internal research has not found any evidence of a statistically significant relationship between small changes in visa fees and application volumes for visa products. Absence of evidence does not necessarily imply that application volumes are independent from visa fees.
40. To avoid the risk of under-estimating the impact of the changes, the analysis approximates the price elasticity of demand for visas to estimates from academic literature developed in similar contexts. Further detail can be found in the Home Office's *(A) review of evidence relating to the elasticity of demand for visas in the UK* published in March 2020.⁸
41. The elasticity assumptions used to estimate the impact on application volumes from an increase in visa fees across immigration products are detailed in Table 2. The elasticities identified for each visa category are used to produce a range around the NPSV impact of the proposed fee levels in Option 2. These are discussed below.

Visit visas

42. For visit visas, the analysis uses estimates of price elasticity of demand for airfare available in the academic literature as a proxy for the price elasticity of demand for a visit to the UK. The price elasticity of demand for airfare is the responsiveness of the demand for air travel to changes in the price of air travel.
43. The estimate of airfare used in this analysis is a weighted average of the average cost of airfare for ordinary and business visits. This is a revision to the methodology of previous IAs, which used the estimate for visitor airfares only. However, as the visa fee remains a small part of the aggregate cost of travel this is likely to have had only a small impact on volumes affected.
44. The central NPSV scenario uses an elasticity estimate of -0.35, based primarily on Department for Transport (DfT) estimates of price elasticity of demand to changes in airfares for foreign leisure and business sectors.⁹ The low scenario uses an estimate of zero; the high scenario uses an estimate of -0.7, double the central case. The change in the price of a visit visa has been applied to the typical airfare paid by visitors coming to the UK from visa-paying countries.

Work-related visas

45. Estimates for the wage elasticity of labour supply are applied to approximate the price sensitivity of applicants for work-related visas (such as those under high value, sponsored skilled work, and temporary work routes). Wage elasticity of labour supply measures the responsiveness of an individual's willingness to work (in essence, supply labour) to changes in wages. This is applied to expected migrant earnings (over the whole duration of the visa) to estimate any impact on migrant volumes arising from the proposed fee changes. Increases in visa fees are considered as equivalent to a reduction in the overall benefit of working in the UK (representing a pay cut) and are thus estimated to reduce labour supply and, in turn, application volumes.
46. The central NPSV scenario assumes a relatively small inelastic reduction in the aggregate willingness to supply labour as a result of changes in visa fees, applying an elasticity of -0.3. This is within the range of the most relevant UK study by Blundell, Bozio and Laroque (2011), who estimated an elasticity of -0.3 to -0.44.¹⁰ A low scenario assumes a zero response to the change in wage, while a high scenario uses an elasticity twice that of the central scenario, equal to -0.6.

⁸ A review of evidence relating to the elasticity of demand for visas in the UK – GOV.UK:

<https://www.gov.uk/government/publications/a-review-of-evidence-relating-to-the-elasticity-of-demand-for-visas-in-the-uk>

⁹ An internal academic literature review was used to tailor the estimates from the DfT's UK aviation forecasts 2017:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781281/uk-aviation-forecasts-2017.pdf

¹⁰ Blundell, Richard, Antoine Bozio, and Guy Laroque. 2011. "Labor Supply and the Extensive Margin." *American Economic Review*, 101 (3): 482-86. <https://www.aeaweb.org/articles?id=10.1257/aer.101.3.482>

Study visas

47. Student visa products allow applicants to purchase education in the UK. Therefore, the price sensitivity of international students can be estimated using the price elasticity of demand for higher education. This is applied to the overall costs of undertaking higher education in the UK in order to estimate any changes in application volumes from individuals entering the UK for study-related reasons as a result of changes to study-related visa fees.
48. A central NPSV scenario assumes an inelastic reduction in the demand for higher education as a result of changes in visa fees. The elasticity value was chosen from a study consistent with international students coming to the UK (Conlon, Ladher and Halterbeck, 2017)¹¹ where a weighted average of -0.4 was calculated as a central estimate. A low scenario assumes a zero response to the change in price, while the high scenario assumes that the response is twice as strong as the central scenario, with a value of -0.8.

Settlement, indefinite leave to remain, and nationality visas

49. The price sensitivity of settlement and nationality applicants is assumed to be similar to that of migrants supplying labour. The majority of applicants under those routes would have been in the UK for longer than five years before becoming eligible to apply for indefinite leave to remain (ILR) or nationality. Therefore, it is likely that they have either been in work or have wanted to work over the qualifying time period.
50. A wage elasticity of -0.3 is applied to the central scenario. It is possible that the true elasticity would be closer to zero, as applicants would have invested time in the UK (five years) before being eligible to apply for settlement or nationality and, by applying for settlement or nationality, demonstrate they would like to remain in the UK indefinitely. The analysis uses an elasticity range of 0 to -0.6 reflecting the available evidence, uncertainty, and range of possible deterrence risks.

Family visas

51. The price sensitivity of applicants under the family route is assumed to be similar to that of applicants for settlement and nationality products (that of migrants supplying labour). Family visas grant permission to undertake paid work, therefore it is reasonable to assume that applicants under the route are likely to either search for or undertake paid work.
52. A wage elasticity of -0.3 is applied to the central scenario. It is possible that the true elasticity would be closer to zero, as applicants are joining family members rather than applying for strictly economic reasons such as in order to work. The analysis uses an elasticity range of 0 to -0.6 reflecting the available evidence, uncertainty, and range of possible deterrence risks.

Sponsorship

53. Domestic businesses sponsor migrant workers to come or remain in the UK in order to fill employment vacancies. Similarly, education institutions may face a gap in vacancies on courses which could be filled by international students. The price responsiveness of businesses and education institutions sponsoring applicants is assumed to approximate wage elasticity of labour demand. This measure typically estimates the willingness of employers to hire workers (in essence, demand labour) at different wage levels. Higher visa fees levied on businesses (such as the CoS) or on education institutions (such as the CAS) lead to an increase in the cost of sponsoring applicants. Therefore, higher CoS and CAS fees are estimated to reduce labour demand and, in turn, the number of applications sponsored.
54. The central NPSV scenario assumes an inelastic reduction of demand for foreign workers and international students as a result of the increased costs faced by domestic businesses and education institutions, at a magnitude of -0.6. This aligns with research by Lichter, Peichl and Sieglöch (2013) which estimates a mean labour demand elasticity of -0.57 for the UK and Ireland,¹²

¹¹ Conlon, G.P., Ladher, R., Halterbeck, M. (2017) The determinants of international demand for UK higher education [Hepi-Report-91-Screen.pdf](#)

¹² Lichter, A., Peichl, A. & Sieglöch, S. (2013) Labor demand elasticities in Europe: a meta-analysis [The own-wage elasticity of labor demand: A meta-regression analysis - ScienceDirect](#)

and with mean estimates from other similar studies. A low scenario assumes no behavioural response, whereas a high scenario assumes an impact double that of the central scenario, of -1.2.

55. Any fall in the number of foreign workers and/or international students sponsored to come or remain in the UK by domestic businesses and education institutions in response to the proposed increases in CoS and CAS fees would occur *before* any fall in applications by individuals (outlined in paragraphs 41 to 44).

Dependants of migrants

56. Overseas individuals applying to join family members who are in the UK with a valid work or study visa are assumed to have the same price sensitivity as main applicants under those routes. The wage elasticity of labour supply would apply for dependants of work-related visa holders, whereas the price elasticity of demand for higher education would be applicable to dependants of students. The low, central, and high NPSV scenarios use the same values discussed in paragraphs 41 to 43.
57. Individuals applying to remain in the UK as a dependant under their family member's visa are assumed to have the same price sensitivity as the main applicant. Although in-country dependants are already in the country, their decision on whether to renew the visa they currently hold is conditional on the main applicant's leave to remain in the UK. The wage elasticity of labour supply would apply for dependants of work-related visa holders, whereas the price elasticity of demand for higher education would be applicable to dependants of students. The low, central, and high NPSV scenarios use the same values discussed in paragraphs 41 and 43.

Table 2: Elasticities used to analyse the impact of changing fees

Elasticity type	Justification	Applicable immigration product	Magnitude		
			Low	Central	High
Price elasticity of demand for air travel	The airfare elasticity of demand is used as a proxy for price elasticity of demand for a trip to the UK.	Visit visa – all lengths	0	-0.35	-0.7
Price elasticity of demand for higher education	Price elasticity of demand for higher education is used as a proxy for migrant price elasticity of demand for all types of education accessed through the student route.	Student visa and dependants	0	-0.4	-0.8
Wage elasticity of labour supply	The wage elasticity of labour supply is used to estimate the impact on migrant volumes of the proposed fee changes, as fee changes represent a change in expected wages, and thus changes to labour supply	All high value, sponsored skilled work, and temporary work visas; and their dependants	0	-0.3	-0.6
	The price sensitivity of long-term migrants is assumed to be similar to that of migrants supplying labour. The majority of applicants would have been in the UK for longer than 5 years before being eligible to apply for ILR or nationality, hence may be more likely to be in or want to work.	Settlement, Naturalisation, ILR, Family route			
Wage elasticity of labour demand	Businesses demand Home Office products in order to bring migrants to the UK to fill employment vacancies. The wage elasticity of labour demand is thus used to estimate the impact on volumes of the proposed fee changes for sponsorship.	Certificate of Sponsorship (CoS), Confirmation of Acceptance for Studies (CAS)	0	-0.6	-1.2

Source: [A review of evidence relating to the elasticity of demand for visas in the UK](https://www.gov.uk/government/publications/a-review-of-evidence-relating-to-the-elasticity-of-demand-for-visas-in-the-uk):

<https://www.gov.uk/government/publications/a-review-of-evidence-relating-to-the-elasticity-of-demand-for-visas-in-the-uk>

58. These elasticities are based on the response of individual migrants or businesses to the change in the visa cost, which is a small direct response to the change in price. The impact does not take account of any second round effects, such as the response of employers or universities to the loss of the migrant, which could involve a range of potential responses, such as replacing the lost worker/student with another migrant, or UK national, changing working practices or changes in income over a lifetime as opposed to through the appraisal period.
59. These could ameliorate some of the impacts seen in Table 3. Given the uncertainty of such responses, and of the first round impact, we include these small behavioural impacts in our central case. A lower behavioural response will result in a higher NSPV, as demonstrated in Section **E.10.2**.

E.2 VOLUMES

60. The interaction between the proposed changes in the visa fees and elasticity assumptions produces a net reduction in estimated visa applications sponsored by domestic businesses and education institutions and in visa applications submitted by individuals. This impact is sequential: firstly, businesses and education institutions decide how many fewer vacancies they are willing to sponsor under the new visa fees, then individual applicants decide whether to apply for a visa under the new price.
61. The latest grant rates per visa product have been applied to the overall estimated fall in visa applications to calculate the fall in visas granted. This impact generates the majority of costs and benefits associated with the policy.

E.2.1 Impact on application volumes

62. Table 3 outlines the estimated effect of price elasticity of demand on visa applications under Option 2. The proposed changes in visa fees are anticipated to have a relatively small impact on visa applications and visas granted. This is due to:
- the cost of a Certificate of Sponsorship per worker representing a small proportion of the financial incentive of domestic businesses to sponsor a foreign worker in order to fill an employment vacancy;
 - the cost of a Confirmation of Approval for Studies per student representing a small proportion of the financial incentive of domestic education institutions to sponsor international students on their courses;
 - the cost of a visa product representing a small portion of the financial incentive of individual applicants to come or remain in the UK as a worker, the cost of travel for visitors or the overall cost of education for students. Visa fees represent an even smaller proportion of the overall associated benefit individuals derive from being in the UK in order to join family members or to settle permanently in the country.
63. In the first full financial year of the appraisal period (2024/2025), **Option 2** represents:
- an estimated 0.5 per cent reduction in the total number of visit visa applications from overseas individuals;
 - no estimated significant impact on applications for an investor, business development, and talent work visas, regardless of whether these submitted by out-of-country or in-country applicants;
 - an estimated reduction in the total number of sponsored skilled work visa applications of 0.04 per cent for out-of-country applicants and 0.05 per cent for in-country applicants. Domestic employers being dissuaded from sponsoring workers due to higher CoS fees accounts for 66 per cent and 60 per cent of this impact, respectively. The remaining share corresponds to individuals being dissuaded from applying under the route, either as a main applicant or as a dependant;
 - an estimated 0.06 per cent reduction in applications for study visas from abroad. Domestic education institutions being dissuaded from sponsoring new students due to the higher CAS fee is estimated to account for 13 per cent of this impact. There is no significant estimated

impact on the willingness of institutions to sponsor international students who are already in the UK in response to the increased CAS fee;

- an estimated 0.2 per cent fall in out-of-country applications under temporary work routes, none of which results from the response of domestic businesses to the higher CoS fee. The analysis suggests that individuals applying under temporary work routes from within the UK, and the businesses sponsoring them, are unlikely to be dissuaded from doing so by the higher fees.
- an estimated 0.2 per cent fall in the total number of applicants under the Graduate route;
- an estimated reduction in applications under the family route in the magnitude of 0.3 per cent for out-of-country applicants;
- an estimated reduction of 0.1 per cent of applications for other types of visas received from outside the UK;
- an estimated fall of 0.3 per cent of individuals applying for a settlement or other indefinite leave to remain (ILR) visa product from within the UK;
- an estimated decrease of 0.2 per cent of individuals applying for a nationality or naturalisation product.

64. As a result of the inelastic behavioural response set out in Table 2, these estimated changes in volumes are relatively small in comparison to the strong demand for visas and immigration products which has been observed in recent years.

Table 3: Estimated reduction in visa applications under Option 2, central case

		Baseline applications 2024/2025	Estimated change in applications compared to the baseline					
			2023/2024*	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029**
Out of Country	Visit visas	2,980,000	-6,300	-14,600	-14,500	-14,300	-14,200	-7,000
	Investor, business development and talent work visas	12,000	~	~	~	~	~	
	Sponsored skilled work visas	722,000	-150	-300	-300	-300	-300	-150
	<i>of which due to CoS fee</i>		-100	-200	-150	-150	-150	-100
	Study visas	648,000	-100	-400	-400	-400	-350	-200
	<i>of which due to CAS fee</i>		~	-50	-50	-50	-50	~
	Temporary work visas	105,000	-100	-250	-250	-200	-200	-100
	<i>of which due to CoS fee</i>		~	~	~	~	~	~
	Family visas	75,000	-100	-200	-200	-200	-200	-100
Other visas	49,000	~	-50	-50	-50	-50	~	
In Country	Investor, business development and talent work visas	6,000	~	~	~	~	~	~
	Sponsored skilled work visas	508,000	-150	-250	-250	-250	-250	-150
	<i>of which due to CoS fee</i>		-50	-150	-150	-150	-100	-50
	Graduate route	189,000	-250	-400	-350	-300	-300	-150
	Study visas	92,000	~	~	~	~	~	~
	<i>of which due to CAS fee</i>		~	~	~	~	~	~
	Temporary work visas	5,000	~	~	~	~	~	~
	<i>of which due to CoS fee</i>		~	~	~	~	~	~
	Settlement and ILR visas	104,000	-200	-350	-350	-350	-350	-200
Nationality and citizenship	200,000	-200	-450	-400	-400	-400	-200	

Source: Home Office analysis

Baseline volumes rounded to the nearest thousand, estimated change in applications for visit visas rounded to the nearest 100, all other routes rounded to the nearest 50, ~ denotes an impact of fewer than 50 applications

* Appraisal period starts Q3, ** Appraisal period ends Q2

E.2.2 Impact on visa grants volumes

65. Table 4 sets out the corresponding effect on visas granted using central elasticity assumptions. The grant rates for applications by domestic businesses or education institutions to sponsor workers or international students are assumed to be 100 per cent. Therefore, any differences between the estimated reductions in visa applications and visa grants can be attributed to refusals on applications by individuals.

Table 4: Estimated reduction in visas granted under Option 2, central case

		Baseline grants 2024/2025	Estimated change in visas granted compared to the baseline					
			2023/2024*	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029**
Out of Country	Visit visas	2,451,000	-5,100	-11,700	-11,600	-11,400	-11,300	-5,600
	Investor, business development and talent work visas	10,000	~	~	~	~	~	~
	Sponsored skilled work visas	668,000	-150	-300	-300	-300	-300	-150
	<i>of which due to CoS fee</i>		-100	-150	-150	-150	-150	-100
	Study visas	628,000	-100	-400	-350	-350	-350	-200
	<i>of which due to CAS fee</i>		~	-50	-50	-50	-50	~
	Temporary work visas	104,000	-100	-200	-200	-200	-200	-100
	<i>of which due to CoS fee</i>		~	~	~	~	~	~
	Family visas	66,000	-50	-150	-150	-150	-150	-100
Other visas	44,000	~	-50	-50	-50	-50	~	
In country	Investor, business development and talent work visas	5,000	~	~	~	~	~	~
	Sponsored skilled work visas	236,000	-100	-250	-250	-250	-250	-150
	<i>of which due to CoS fee</i>		-50	-100	-100	-100	-100	-50
	Graduate route	185,000	-250	-400	-300	-300	-300	-150
	Study visas	92,000	~	~	~	~	~	~
	<i>of which due to CAS fee</i>		~	~	~	~	~	~
	Temporary work visas	5,000	~	~	~	~	~	~
	<i>of which due to CoS fee</i>		~	~	~	~	~	~
	Settlement and ILR visas	102,000	-200	-350	-350	-350	-350	-200
Nationality and citizenship	195,000	-200	-400	-400	-400	-400	-200	

Source: Home Office analysis Baseline volumes rounded to the nearest thousand, estimated change in applications for visit visas rounded to the nearest 100, all other routes rounded to the nearest 50, ~ denotes an impact of fewer than 50 grants
 * Appraisal period starts Q3, ** Appraisal period ends Q2

E.3 COSTS

E.3.1 Set-up costs

66. There are no set-up costs identified to arise in association to **Option 2**. Transitional impacts are assumed to be negligible. No capital investment is required to implement the changes. Familiarisation costs are assumed to be negligible as result from changing the fee level in guidance, and guidance length would not be affected by these changes.

E.3.2 Ongoing and total costs

Indirect costs

Loss of visa application revenue to the Home Office

67. A reduction in visa applications (as a consequence of the assumed behavioural responses of organisations and migrants to the increased fee levels) is assumed to result in lost Home Office revenue. This loss in revenue is quantified by multiplying the estimated reduction in the volume of applications granted per type of visa by the associated proposed fee. Changes in revenue collected through CoS, CAS, and ISC fees are not captured and neither are changes in revenue generated from nationality or naturalisation applications; these impacts are discussed in section **E.5**.
68. Option 2 could result in loss of Home Office revenue of up to -£45.7 million, with a central estimate of -£18.3 million (PV, 2023/2024 prices) over the five-year appraisal period.
69. In the central case, the majority of this impact is accounted for by the proposed fee changes for visit visas (51 per cent), likely due to the high number of applications on the route. Increased prices across family, settlement, nationality, and other visa products result in another 30 per cent, likely due to the high baseline fees for these visas.

Loss of Immigration Health Surcharge revenue

70. A fall in visa grants is also assumed to result in lost IHS revenue, which is collected by the Home Office and attributed to the Department for Health and Social Care. The loss of IHS revenue is calculated as the product of the change in IHS visas issued on eligible routes (sponsored skilled work, study, graduate, family, settlement and ILR, and some temporary work), the current IHS level, as set out in section **E.1.7**, and internal Home Office data on average length of visas granted per individual route.
71. The cost to the Government from the reduction in IHS revenue due to the change in visa volumes is estimated to amount to up to -£16.3 million, with a central estimate of -£6.5 million (PV, 2023/2024 prices) over the five-year appraisal period.
72. In the central scenario, 31 per cent of this impact is accounted for by lower granted applications on the graduate route. An additional 23 per cent is attributed to the increase in fees for sponsored skilled workers (visa fee and CoS).

Loss of tax revenue to the Exchequer

73. Any reduction in the number of migrants may result in a loss to the Exchequer in the form of reduced fiscal contributions, due to a reduction in direct and indirect tax payments made by fewer individuals in the UK. The Exchequer loss is calculated as the change in granted volumes as a result of the change in fees, multiplied by the average fiscal revenue contributions for each visa route. This is derived using a bottom-up approach to estimate the expected contribution to direct and indirect taxes from migrants based on individual characteristics and data on their earnings and spending patterns. The methodology and assumptions follows the approach set out in previous Fee Regulations IAs¹³ with the estimated per migrant revenue impacts (central assumption) updated to 2022/2023 prices.

¹³ such as The Immigration and Nationality (Fees) (Amendment) (No. 3) Regulations 2020 Impact Assessment https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia_2020048_en.pdf#page=23

74. If visa fees increased to the proposed levels, the resulting loss to the Exchequer is estimated to be up to -£530.7 million, with a central estimate of -£212.3 million (PV, 2023/2024 prices) over the five-year appraisal period.
75. In the central case, the majority of this impact (40 per cent) could be attributed to the estimated fall in applications for family, settlement, nationality, and other visas. Fewer estimated applications for sponsored skilled work visas, arising from higher CoS and individual application fees are associated with 31 per cent of the impact.

Loss of tuition fee revenue

76. A fall in the number of international students would lead to a fall in revenue for domestic education institutions collected from tuition fees. This impact is quantified by considering the average tuition fee for international students (estimated at £17,200 in 2023/2024 prices).
77. The cost to the education sector is estimated to amount to up to -£119.4 million, with a central estimate of -£47.8 million (PV, 2023/2024 prices) over the five-year appraisal period.
78. The analysis makes no assumptions on the replacement rate of students between regions, that is, the extent to which Higher Education institutions may offer vacant places to more domestic students. Therefore, the estimated impact of Option 2 should be considered as an upper estimate, as any student replacement could mitigate the effect of lost tuition fee income to a given degree. Further, the costs of providing courses may fall if no replacement takes place.

Loss of Premium Service revenue

79. It is assumed that the policy¹⁴ would not impact the overall composition of migrants applying for Priority or Super Priority services. As a result of the reduction in standard application volumes, there is estimated to be a corresponding proportion of visa applicants using the Priority and Super Priority service who are assumed to no longer use the service and will lead to a reduction in Home Office revenue.
80. The loss in Premium Service revenue under Option 2 is estimated to amount up to -£1.7 million, with a central estimate of -£0.7 million (PV, 2022/2023 prices) over the five-year appraisal period.
81. In the central case, the majority of the impact (79 per cent) results from the fall in the number of applicants on visit routes using the optional Premium Service to fast track their visit visa application.

E.4 BENEFITS

E.4.1. Set-up benefits

82. There are no set-up or transitional benefits identified to arise from the proposed increases in visa fees.

E.4.2 Ongoing and total benefits

Direct benefits

Increase in Home Office revenue

83. Higher visa fees are expected to generate an increase in Home Office revenue collected from the visa applications which would continue to be submitted. This benefit is calculated as the change in visa fee for each immigration route multiplied by the baseline visa volume minus any reduction in volumes as a result of the change in fee. Changes in revenue collected through CoS, CAS, and ISC fees are not captured, and neither is revenue resulting from higher fees for nationality and naturalisation immigration products; these impacts are discussed as transfers in section **E.5**.

¹⁴ Excluding the change to align fees charged for optional Priority Visa (PV) and Super Priority Visa (SPV) expedited application processing services, across applications made in and out of country which is considered as an indicative set of scenarios in Annex C.

84. The benefit to the Home Office from increases in fee revenue is estimated to be between £1,117.1 million and £1,854.2 million, with a central estimate of £1,486.4 million (PV, 2023/2024 prices) over the five-year appraisal period.
85. In the central case, the largest share of this impact is associated with the proposed higher fees sponsored skilled work visas and study visas (25 per cent each).

Increase in Home Office Premium Service revenue

86. Similarly, higher premium service fees are also expected to lead to a rise in Home Office revenue collected from visa applications seeking an expedited decision. This benefit is calculated as the change in corresponding PV or SPV fee multiplied by the baseline visa volumes minus any estimated reduction in applications in response to the increase in fees for the standard service. There is a limited evidence base to estimate any additional behavioural responses to the changes in the levels of PV and SPV fees themselves, so such impacts are not included in the NPSV. **Annex D** provides an illustrative example of the potential scale of this behavioural response.
87. The benefit to the Home Office from increases in premium service revenue is estimated to be between £582.8 million and £969.7 million, with a central estimate of £776.4 million (PV, 2023/2024 prices) over the five-year appraisal period.
88. In the central case, the largest share of this impact is associated with the proposed higher fees for visit visas (37 per cent), study visas (33 per cent) and sponsored skilled work visas (23 per cent).

Indirect benefits

Reduction in Home Office visa processing costs

89. A lower number of applications as a result of higher fee levels would lead to a fall in the visa processing costs incurred by the Home Office. This impact is quantified by multiplying the published unit cost for each visa product (as set out in **Annex A**) by the change in applicants following the behavioural response.
90. The administrative saving to the Home Office is estimated to be up to £24.0 million, with a central estimate of £9.6 million (PV, 2023/2024 prices) over the five-year appraisal period.
91. In the central scenario, the majority of this impact arises in response to the lower estimated number of visit visas (64 per cent).

Reduction in Home Office CoS and CAS processing costs

92. As well as processing fewer applications by individuals, the Home Office incurs a cost of processing CoS and CAS applications per eligible worker and per international student, respectively. As with visa processing costs, this impact is calculated by multiplying the CoS and CAS unit costs by the lower volumes of sponsored workers and students and the change in applications by individuals under these routes.
93. The administrative benefit to the Home Office under the proposed visa fees could amount to up to £1.9 million, with a central estimate of £0.8 million (PV, 2023/2024 prices) over the five-year appraisal period.
94. In the central case, the majority of this impact is associated with the estimated fall in sponsored skilled work visas in response to the higher CoS fee and individual visa prices (63 per cent). An additional 30 per cent could be accounted for by the similar impact on temporary work visas. The remaining 7 per cent of the impact is due to the estimated fall in applications on study routes.

Reduction in Home Office Immigration Skills Charge and Immigration Health Surcharge processing costs

95. A final set of administrative benefits to the Home Office results from a fall in processing costs for applications on routes in scope of the ISC and/or the IHS, discussed in sections **E.1.7** and **E.1.8**. The impact on the fall in ISC processing costs is calculated by multiplying internal Home Office estimates of ISC by the reduction in applicants on eligible routes. The impact on the fall in IHS

processing costs is estimated in a similar manner but accounting for the average length of visas issued on each IHS-liable route.

96. The Home Office is estimated to benefit from reduced ISC and IHS processing costs by up to £0.5 million, with a central estimate of £0.2 million (PV, 2023/2024 prices) over the five-year appraisal period.
97. In the central scenario, the estimated fall in skilled work visas in response to the higher fees under Option 2 is associated with 52 per cent of this impact. Changes applicable to the study route account for an additional 19 per cent.

Reduction in fiscal pressure

98. Any reduction in the number of migrants due to higher visa fees would result in an Exchequer gain from lower public service provision costs, such as healthcare and education, as the UK population eligible for public services could be lower. This is calculated by multiplying the average annual use of public services of each route by the reduction in volumes following the behavioural response. The methodology and assumptions follow the approach set out in previous Fee Regulations IAs¹⁵ with the estimated per migrant revenue impacts (central assumption) uprated to 2022/2023 prices.
99. Under Option 2, the benefit to the Exchequer from lower public service expenditure is estimated at up to £275.0 million, with a central estimate of £110.0 million (PV, 2022/2023 prices) over the five-year appraisal period.
100. In the central case, 42 per cent of this impact could be attributed to the estimated fall in family, settlement, nationality, and other visas. The estimated reduction in sponsored skilled workers and applicants on the graduate route account for 25 per cent and 16 per cent, respectively.

E.5 TRANSFERS

101. Some of the impacts from the policy proposal represent a transfer between domestic parties where a cost incurred on one side is fully absorbed as a benefit received by another. Transfer payments may change distributions of income or wealth of the resident population, but do not give rise to direct economic costs and benefits; thus, such impacts are not counted in the NPSV of the option considered.

Immigration Skills Charge liability

102. Domestic businesses sponsoring workers under ISC-liable routes could face a reduction in costs (a benefit) from the fall in visas resulting from the increase in fees. This is calculated by multiplying the weighted average ISC fee by the estimated reduction in eligible visas granted. The reduction in ISC liability represents a transfer of revenue from the public sector to business, at scale of up to £9.1 million, with a central estimate of £3.7 million (PV, 2023/2024 prices) over the five-year appraisal period.

CoS and CAS liability

103. Domestic businesses sponsoring workers and education institutions sponsoring international students could incur lower costs from the estimated decrease in applications across sponsored work routes and the study route. This is quantified as the product of the CoS or CAS fee and the change in granted visas. The benefit to organisations represents a transfer of revenue from the public sector, at a magnitude of up to £1.2 million, with a central estimate of £0.5 million (PV, 2023/2024 prices) over the five-year appraisal period.

Additional CoS/CAS revenue

104. The proposed increases in CoS and CAS fees increase the cost domestic businesses and educational institutions face when sponsoring workers and students. The additional impact on UK organisations is calculated by multiplying the change in fee by the projected visa grants under the

¹⁵ such as The Immigration and Nationality (Fees) (Amendment) (No. 3) Regulations 2020 Impact Assessment https://www.legislation.gov.uk/ukia/2020/48/pdfs/ukia_2020048_en.pdf#page=23

policy (the baseline minus the behavioural response of organisations and migrants). This additional cost represents a transfer to the Home Office laying in a range between £104.5 million and £173.9 million, with a central estimate of £139.2 million (PV, 2023/2024 prices) over the five-year appraisal period.

Resident population fee revenue

105. The analysis considers migrants applying for settlement, naturalisation or nationality status as part of the UK resident population, and hence, the impacts on these individuals are in the scope of appraisal of this IA. Increasing fees across nationality products would represent a cost to such individuals, which is absorbed fully by the Government. This transfer is estimated to be between £166.9 million and £276.9 million, with a central estimate of £222.0 million (PV, 2023/2024 prices) over the five-year appraisal period and is derived by multiplying the new fee level by the number of grants under these new fees. No additional fiscal impacts are expected to arise from this group of individuals, as any public service provision or fiscal revenue applicable are treated as equivalent to those of the general population.

E.6 Summary of results

E.6.1 NPSV

106. The overall economic and social impacts of Option 2 are summarised in Table 5 below; the figures presented may not sum up due to rounding. All estimates are subject to uncertainty and should be treated as indicative of the scale of impacts, not precise predictions of actual impacts.

107. The central estimate for the NPSV of the policy is estimated at £2,097.8 million (PV, 2023/2024 prices) over the five-year appraisal period.

Table 5: Costs and benefits of Option 2, central assumptions (£ million)

Present values (2023/2024 prices)	2023/ 2024*	2024/ 2025	2025/ 2026	2026/ 2027	2027/ 2028	2028/ 2029**	NPSV
Benefits							
Additional Home Office visa revenue	138.9	320.0	306.8	296.2	286.2	138.2	1,486.4
Additional Home Office premium service revenue	68.1	167.2	161.5	156.0	150.8	72.8	776.4
Reduction in Home Office visa processing costs	1.0	2.1	2.0	1.9	1.8	0.9	9.6
Reduction in Home Office CoS and CAS processing costs	0.1	0.2	0.2	0.2	0.1	0.1	0.8
Reduction in Home Office IHS and ISC processing costs	~	~	~	~	~	~	0.2
Exchequer gain from lower public service provision	3.4	16.1	24.7	25.3	26.7	13.9	110.0
Total Benefits (PV)	211.5	505.6	495.2	479.6	465.6	225.9	2,383.4
Costs							
Reduction in Home Office fee revenue	-1.9	-4.0	-3.7	-3.6	-3.4	-1.6	-18.3
Reduction in IHS revenue	-0.7	-1.5	-1.3	-1.2	-1.2	-0.6	-6.5
Exchequer loss from reduction in tax revenue	-6.5	-29.7	-45.6	-49.1	-53.2	-28.2	-212.3
Reduction in tuition fee revenue	-0.8	-7.2	-12.3	-11.4	-10.9	-5.2	-47.8
Reduction in Premium Service revenue	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.7
Total Costs (PV)	-10.0	-42.6	-63.0	-65.4	-68.8	-35.6	-285.5
Net Impact (NPSV)	201.5	463.1	432.1	414.2	396.7	190.3	2,097.8

Source: Home Office analysis, rounded to the nearest £100,000

~ indicates impact lower than £100,000, figures may not sum up due to rounding

* Appraisal period starts Q3, ** Appraisal period ends Q2

108. Table 6 illustrates the distribution of the total appraised costs and benefits by immigration route. The estimated impacts across the study route account for the largest share of the benefits under Option 2, at 27 per cent.

109. The largest share of the total estimated costs is associated with the underlying impacts across the family, settlement, nationality, and other visas and study visas (32 per cent), sponsored skilled work visas (24 per cent) and study visas (23 per cent).

110. Overall, the impact of Option 2 on visit visas the study route (increased CAS and out-of-country student visa fees) accounts for the largest share of the net impacts (28 per cent), followed by the impacts on visit visas (26 per cent).

Table 6: Distribution of costs and benefits and NPSV of Option 2 by underlying immigration route over a 5-year appraisal period

	Visit visas	Investor, business development and talent work visas	Sponsored skilled work visas (and CoS)	Graduate route	Study visas (and CAS)	Temporary work visas (and CoS)	Family, settlement, and other visas
Benefits							
Additional Home Office visa revenue	18%	1%	25%	6%	25%	1%	24%
Additional Home Office premium service revenue	37%	0%	23%	0%	33%	2%	1%
Reduction in Home Office visa processing costs	64%	0%	4%	2%	3%	1%	25%
Reduction in Home Office CoS and CAS processing costs	0%	0%	63%	0%	7%	30%	0%
Reduction in Home Office IHS and ISC processing costs	0%	0%	52%	12%	19%	2%	14%
Exchequer gain from lower public service provision	0%	0%	25%	16%	14%	3%	42%
Total Benefits (PV)	24%	0%	24%	4%	27%	2%	18%
Costs							
Reduction in Home Office fee revenue	51%	0%	7%	7%	3%	1%	30%
Reduction in IHS revenue	0%	0%	25%	31%	24%	3%	17%
Exchequer loss from reduction in tax revenue	7%	0%	31%	12%	7%	2%	40%
Reduction in tuition fee revenue	0%	0%	0%	0%	100%	0%	0%
Reduction in Premium Service revenue	79%	0%	3%	0%	12%	1%	4%
Total Costs (PV)	9%	0%	24%	10%	23%	1%	32%
Net Impact (NPSV)	26%	0%	24%	4%	28%	2%	16%

Source: Home Office internal analysis

111. Table 7 presents the total NPSV of Option 2 under the low, central, and high scenarios. Under the low scenario where application volumes are low and individuals, businesses, and education

institutions are not price sensitive to the proposed increases in fees, the NPSV of the policy decreases to £1,699.9 million (PV, 2023/2024 prices) over the five-year appraisal period. This impact is driven solely by the higher fee revenue collected by the Home Office for standard and premium service applications.

112. Under the high scenario where the decision of individuals, businesses, and education institutions to apply or sponsor a visa is the most sensitive to the increases in fees and application volumes are at the high assumption, the NPSV of the policy increases to £2,411.4 million (PV, 2023/2024 prices) over the five-year appraisal period. This scenario estimates the highest costs which could arise under Option 2.

Table 7: Comparison of costs and benefits and NPSV of Option 2 under low, central, and high impact scenarios over a 5-year appraisal period (£ million)

Present values (2023/2024 prices)	Low scenario	Central scenario	High scenario
Benefits			
Additional Home Office visa revenue	1,117.1	1,486.4	1,854.2
Additional Home Office premium service revenue	582.8	776.4	969.7
Reduction in Home Office visa processing costs	0	9.6	24.0
Reduction in Home Office CoS and CAS processing costs	0	0.8	1.9
Reduction in Home Office IHS and ISC processing costs	0	0.2	0.5
Exchequer gain from lower public service provision	0	110.0	275.0
Total Benefits (PV)	1,699.9	2,383.4	3,125.2
Costs			
Reduction in Home Office fee revenue	0	-18.3	-45.7
Reduction in IHS revenue	0	-6.5	-16.3
Exchequer loss from reduction in tax revenue	0	-212.3	-530.7
Reduction in tuition fee revenue	0	-47.8	-119.4
Reduction in Premium Service revenue	0	-0.7	-1.7
Total Costs (PV)	0	-285.5	-713.8
Net Present Social Value (NPSV)	1,699.9	2,097.8	2,411.4

Source: Home Office internal analysis, rounded to the nearest £100,000

~ indicates impact lower than £100,000; figures may not sum up due to rounding

113. As discussed in section E.5, transfer impacts represent a reduction in cost to domestic sponsors of migrants and the resident population (from a reduction in visa demand) and a reduction in benefit to central government through a reduction in revenue. Total transfers to the public sector are estimated to amount to £357.1 million (PV, 2023/2024 prices) over the five-year appraisal period in the central case. Transfers are not included in the NPSV as the net impact of such costs and benefits is zero.

Table 8: Transfer costs and benefits of Option 2, central scenario (£ million)

Present values (2023/2024 prices)	2023/ 2024*	2024/ 2025	2025/ 2026	2026/ 2027	2027/ 2028	2028/ 2029**	Total
Reduction in ISC revenue	-0.4	-0.8	-0.8	-0.7	-0.7	-0.3	-3.7
Reduction in CoS/ CAS revenue from behavioural response	~	-0.1	-0.1	-0.1	-0.1	~	-0.5
Increase in CoS/CAS revenue from higher fees	12.7	29.9	28.8	27.9	26.9	13.0	139.2
Resident population fee revenue	24.4	46.6	45.1	43.5	42.1	20.3	222.0
Total change in transfers to the government	36.7	75.6	73.0	70.6	68.2	33.0	357.1

Source: Home Office analysis, rounded to the nearest £100,000

~ indicates impact lower than £100,000, figures may not sum up due to rounding

* Appraisal period starts Q3, ** Appraisal period ends Q2

E.6.2 BNPV

114. The proposed higher visa fees could lead to reduction in costs to businesses and education institutions in the form of reduced ISC and CoS/CAS liability payable. Education institutions face an additional cost as the estimated reduction of study visa grants would lower tuition fee revenue. These costs and benefits are indirect as they arise as a secondary impact linked to the behavioural response of migrants, businesses and education institutions to the increase in fees. The policy would also impose higher costs on organisations through the higher cost of sponsoring associated with the increases in CoS and CAS fees; these impacts are direct.
115. Table 9 outlines the estimated magnitude of the costs and benefits incurred by businesses and education institutions. The estimated reduction in ISC and CoS/CAS liability and the higher sponsorship costs faced by institutions sponsoring skilled and temporary workers and students are transfers as their magnitude is absorbed by the public sector. Therefore, these components of the BNPV are not included in the NPSV values presented in Tables 5 and 7.
116. The estimated reduction in tuition fee revenue to domestic education institutions is not a transfer cost, and is therefore included in the NPSV of Option 2.

Table 9: Costs and benefits to businesses under Option 2 (£ million)

Present values (2023/2024 prices)	2023/2024*	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029**	BNPV
Benefits							
Reduction in CoS/CAS liability	~	0.1	0.1	0.1	0.1	~	0.5
Reduction in ISC liability	0.4	0.8	0.8	0.7	0.7	0.3	3.7
Total benefits	0.4	0.9	0.9	0.8	0.8	0.4	4.1
Costs							
Higher sponsorship costs due to CoS/CAS fee rise	-12.7	-29.9	-28.8	-27.9	-26.9	-13.0	-139.2
Reduction in tuition fee revenue	-0.8	-7.2	-12.3	-11.4	-10.9	-5.2	-47.8
Total costs	-13.5	-37.1	-41.1	-39.2	-37.8	-18.2	-187.0
Net business impact	-13.1	-36.2	-40.3	-38.4	-37.0	-17.8	-182.8

Source: Home Office analysis, rounded to the nearest £100,000

~ indicates impact lower than £100,000, figures may not sum up due to rounding

* Appraisal period starts Q3, ** Appraisal period ends Q2

117. The Business Net Present Value (BNPV) of the policy is estimated to be between -£104.5 million and -£283.0 million, with a central estimate of -£182.8 million (PV, 2023/2024 prices) over the five-year appraisal period. Table 10 presents the BNPV over the three impact scenarios.

Table 10: Comparison of costs and benefits and BNPV of Option 2 under low, central, and high impact scenarios over a 5-year appraisal period (£ million)

Present values (2023/2024 prices)	Low scenario	Central scenario	High scenario
Benefits			
Reduction in Cos/CAS liability	0	0.5	1.2
Reduction in ISC liability	0	3.7	9.1
Total benefits	0	4.1	10.3
Costs			
Higher sponsorship costs due to CoS/CAS fee rise	-104.5	-139.2	-173.9
Reduction in tuition fee revenue	0	-47.8	-119.4
Total costs	-104.5	-187.0	-293.3
Net business impact	-104.5	-182.8	-283.0

Source: Home Office internal analysis, rounded to the nearest £100,000, figures may not sum up due to rounding

E.7 Value for money (VfM)

118. Under the central scenario, the benefit-cost ratio (BCR) of Option 2 is 8.3. The BCR falls to 4.4 in the high elasticity scenario, and is undefined under the low elasticity scenario (due to total costs being null). This indicates that the benefits of the proposed policy package exceed the costs regardless of the range of low and high impact scenarios generated around the different assumptions of price sensitivity of visa demand and application volumes.

E.8 Place-based analysis

119. Visas give migrants the permission to enter the UK and do not impose restrictions on where in the country individuals may subsequently travel to. The primary benefit from Option 2 accrues to central

government. Negative place-based impacts could arise due to the behavioural response of individuals and domestic sponsors to the increase in visa fees, however such impacts are likely to be small.

120. The highest estimated reduction in visa grants as a result of the policy is on the visit route. The impacts of the potential changes to the number of visitors may be more prevalent areas which attract higher numbers of tourists. For example, in 2021, around 50 per cent of visitors in England were in London, which accounted for 46 per cent of total UK visits for that year.¹⁶
121. Place-based impacts arising from the potential changes to the number of people granted a work-related visa are likely to be dependent on the geographic distribution of the sponsoring employers. Similarly, any decreases in the number of international students are likely to follow the location profile of the sponsoring education institution. However, as the increases in CoS, CAS, and visa fees are applied uniformly across immigration products, no disproportionate place-based impacts are anticipated. As illustrated on Table 4, such impacts are likely to be small.
122. Specific place-based impacts are also not anticipated in relation to the estimated fall in applicants on the family route or for settlement and nationality products. These are expected to follow the population density across the UK.

E.9 Impact on micro, small and medium-sized businesses

123. This IA assesses the potential impact of increasing CoS and CAS fees on domestic businesses which (wish to) sponsor migrant workers and education institutions which (wish to) sponsor international students to come or remain in the UK. This section also considers the impact of the estimated fall in granted visas on domestic businesses.
124. Micro-sized institutions have fewer than 10 employees, small organisations are defined as those employing between 10 and 49 full-time equivalent (FTE) employees, whereas medium businesses hire between 50 and 249 people on a full-time basis.¹⁷

E.9.1 Work sponsors

125. In 2022, around 1.45 million private businesses were employers.¹⁸ Of these, 82 per cent were micro employers, 15 per cent hired between 10 and 49 FTE employees, and an additional 2 per cent can be classified as medium-sized organisations. Some of these businesses may be affected by the increase in CoS fees, depending on whether they (wish to) sponsor migrant workers. Although the current sponsorship licensing system includes mitigations for small and micro-businesses,¹⁹ the CoS fee is levied universally per migrant worker sponsored, regardless of the size of the sponsoring organisation.
126. Internal Home Office data indicates that 79 per cent of businesses which sponsored a migrant for a skilled worker vacancy in 2022 (under the higher CoS fee of £199) were non-large – four in five of which were micro or small-sized, and the remaining one in five being medium-sized. If this distribution holds constant in the future, around 65 per cent of sponsors impacted by the increase in CoS fees could be micro and small businesses.
127. Large businesses accounted for two thirds of the number of skilled workers (66 per cent), sponsored in 2022, indicating that the majority of the increased cost per applicant could be borne by these businesses. If this distribution remains unchanged in the future, 25 per cent of the additional cost per migrant is likely to be incurred by micro and small-sized sponsors.

¹⁶ Travel trends estimates: overseas residents in the UK - Office for National Statistics (ons.gov.uk): <https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/overseasresidentstovisittheuk>

Note: not all visitors require a visit visa

¹⁷ Data was not aligned to account for a category in business sizes of 50 to 499 employees [Medium sized business regulatory exemption assessment: supplementary guidance - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/medium-sized-business-regulatory-exemption-assessment-supplementary-guidance)

¹⁸ Business population estimates 2022 - GOV.UK (www.gov.uk): <https://www.gov.uk/government/statistics/business-population-estimates-2022>

¹⁹ A sponsorship licence enables a business to sponsor migrant workers, and therefore, pay an additional CoS fee per individual. See more: <https://www.gov.uk/uk-visa-sponsorship-employers/apply-for-your-licence>

128. The composition of businesses which sponsored a temporary worker (under the lower CoS fee of £21) was different. In 2022, 54 per cent of all businesses had fewer than 250 employees, 93 per cent of which were small or micro-sized. Assuming that this distribution remains the same going forward, around half of temporary work sponsors impacted by the increase in CoS fee could be micro or small businesses.
129. As with skilled workers, large businesses accounted for two thirds of the number of temporary workers (67 per cent) sponsored in 2022. If the distribution holds constant in the future, 30 per cent of the additional sponsorship cost per temporary worker could be incurred by micro or small businesses.
130. Assuming that the current organisation size composition of sponsors and their CoS usage remain broadly constant over time leads to uncertainty. Ultimately, the burden of the increase in CoS fees will depend on the future willingness of businesses to sponsor workers which may be firm-specific or sector-specific.

E.9.2 Study sponsors

131. In the Higher Education (HE) sector, organisation size is traditionally based on student population, as it is considered more relevant for most policy questions than the number of total employees. Based on the number of employees, data from the Higher Education Statistics Agency show that an average HE institution hired 1,356 staff on a full-time basis in academic year 2021/2022.²⁰²¹ The majority of HE providers in academic year 2021/2022 (65 per cent) hired more than 250 full-time employees. Of the remaining organisations 3 per cent were micro, 21 per cent were small, and 11 per cent were medium-sized. Some of these HE providers may be affected by the increases in CAS fees, depending on whether they (wish to) sponsor international students. The CAS fee is levied universally per individual sponsored, regardless of the size of the sponsoring organisation.
132. Evidence from the Education and Skills Funding Agency indicates that the average college providing Further Education (FE) had 627 FTE employees in academic year 2020 to 2021.²² 81 per cent of FE colleges were large organisations, and the remaining 19 per cent hired between 50 and 249 FTE staff. Similar to the HE sector, some of these FE colleges may be affected by the increases in CAS fees (levied universally per student sponsored), depending on whether they (wish to) become sponsors.
133. Assuming that the composition of study sponsors follows the underlying distribution of the HE and FE sectors, 35 per cent of HE sponsors and 19 per cent of FE sponsors impacted by the increase in CAS could be micro, small, or medium-sized organisations.
134. Published statistics on study sponsorship in 2022 show that 91 per cent of CAS were issued to international students seeking to undertake Higher Education, and 9 per cent were issued to international students enrolled to a Further Education course.²³ While information on the size of sponsoring organisations is not available, if this distribution remains constant in the future, the majority of the additional cost per international students is likely to be borne by HE institutions, 35 per cent of which hire fewer than 250 full-time staff.
135. It is highly uncertain whether the organisation size composition of study sponsors follows the distribution of HE and FE sectors. Further, assuming that CAS usage remain broadly constant over time leads to more uncertainty. Ultimately, the burden of the increase in CAS fee will depend on the future willingness of education institutions to sponsor international students which may be course-specific or sector-specific.

E.10 Sensitivity analysis

136. The NPSV estimates discussed in section **E.6** are constructed under central estimates public service provision per migrant, and fiscal contribution of migrants and varying combinations of low,

²⁰ Table 1 - HE staff by HE provider and activity standard occupational classification 2014/15 to 2021/22 | HESA:

<https://www.hesa.ac.uk/data-and-analysis/staff/table-1>

²¹ Academic years cover the period September 1st to August 31st

²² EFSA financial management: college accounts academic year 2020 to 2021 data

²³ Managed migration datasets - GOV.UK: <https://www.gov.uk/government/statistical-data-sets/managed-migration-datasets>

central, and high assumptions of application volumes and price sensitivity. This subsection incorporates a set of sensitivity measures around each of those four assumptions against the central scenarios of the remaining three.

137. An additional set of sensitivity analysis has been carried out, in order to estimate the potential impact of foregone visitor spend collected by UK institutions.

E.10.1 Volumes

138. Given the degree of uncertainty over the future volume of applicants affected by the increase of fees under Option 2, sensitivity analysis has been carried out in an attempt to disaggregate the degree to which the estimated NPSV of the policy could be driven by baseline application volumes being lower and higher than those used in the central case.
139. As described in paragraph 30, the low and high volume scenarios assume that baseline volumes are 25 per cent below or above the central case, respectively. Tables 11 and 12 below outline each scenario.

Table 11: Estimated visa application volumes (low scenario) for the period 2023/2024 to 2028/2029

Visa type		2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Out of country	Visit visas	2,065,000	2,235,000	2,235,000	2,235,000	2,235,000	2,235,000
	Investor, business development and talent work visas	8,000	8,000	8,000	8,000	8,000	8,000
	Sponsored skilled work visas	570,000	541,000	541,000	541,000	541,000	541,000
	Study visas	525,000	486,000	486,000	486,000	486,000	486,000
	Temporary work visas	71,000	79,000	79,000	79,000	79,000	79,000
	Family visas	50,000	56,000	56,000	56,000	56,000	56,000
	Other visas	37,000	37,000	37,000	37,000	37,000	37,000
In country	Investor, business development and talent work visas	4,000	4,000	4,000	4,000	4,000	4,000
	Sponsored skilled work visas	341,000	381,000	381,000	381,000	381,000	381,000
	Graduate route	133,000	142,000	124,000	122,000	122,000	122,000
	Study visa	49,000	69,000	68,000	68,000	68,000	68,000
	Temporary work visas	3,000	4,000	4,000	4,000	4,000	4,000
	Settlement and ILR	78,000	78,000	78,000	78,000	78,000	78,000
	Nationality and Citizenship	152,000	150,000	150,000	150,000	150,000	150,000

Source: internal Home Office planning assumptions, rounded to the nearest thousand.

Table 12: Estimated visa application volumes (high scenario) for the period 2023/2024 to 2028/2029

Visa type		2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
Out of country	Visit visas	3,442,000	3,725,000	3,725,000	3,725,000	3,725,000	3,725,000
	Investor, business development and talent work visas	14,000	14,000	14,000	14,000	14,000	14,000
	Sponsored skilled work visas	949,000	902,000	902,000	902,000	902,000	902,000
	Study visas	875,000	810,000	810,000	810,000	810,000	810,000
	Temporary work visas	120,000	132,000	132,000	132,000	132,000	132,000
	Family visas	83,000	93,000	93,000	93,000	93,000	93,000
	Other visas	62,000	61,000	61,000	61,000	61,000	61,000
In country	Investor, business development and talent work visas	7,000	7,000	7,000	7,000	7,000	7,000
	Sponsored skilled work visas	569,000	635,000	635,000	635,000	635,000	635,000
	Graduate route	220,000	236,000	206,000	203,000	203,000	203,000
	Study visa	81,000	115,000	113,000	113,000	113,000	113,000
	Temporary work visas	5,000	7,000	7,000	7,000	7,000	7,000
	Settlement and ILR	129,000	129,000	129,000	129,000	129,000	129,000
	Nationality and Citizenship	254,000	250,000	250,000	250,000	250,000	250,000

Source: internal Home Office planning assumptions, rounded to the nearest thousand.

140. Assuming baseline volumes are equivalent to the low scenario presented in Table 11:

- The central elasticity estimate of the NPSV falls by £524.4 million, from £2,097.8 million to £1,573.4 million (PV, 2023/2024 prices).
- The majority of this change is driven by the revenue collected by the Home Office from visa applications, which falls from £1,486.4 million to £1,114.8 million.
- Transfers (foregone revenue transferred to the Home Office) would fall by £89.2 million, from £357.1 million to £267.8 million (PV, 2023/2024 prices). By definition, transfers are not included in the NPSV.

141. Assuming baseline volumes are equivalent to the high scenario presented in Table 12:
- The central elasticity estimate of the NPSV increases by £524.4 million, from £2,097.8 million to £2,622.3 million (PV, 2023/2024 prices).
 - The majority of this change is driven by visa application revenue collected by the Home Office, which increases from £1,486.4 million to £1,858.0 million.
 - Transfers (foregone revenue transferred to the Home Office) would increase by £89.3 million, from £357.1 million to £446.4 million (PV, 2023/2024 prices). By definition, transfers are not included in the NPSV.

E.10.2 Price elasticity of visa demand

142. The price sensitivity of individual migrants and domestic sponsors is highly uncertain. The following set of sensitivity analysis attempts to disaggregate the potential variation of the NPSV of the policy driven by the change in elasticity assumptions across the main scenarios.
143. Assuming that higher fees have no impact on migrants' willingness to apply for a visa (and the willingness of domestic institutions to sponsor foreign workers or international students), the NPSV of Option 2 increases by £168.7 million, from £2,097.8 million to £2,266.6 million (PV, 2023/2024 prices).
144. Assuming that increases in prices play a more significant part in the decision to apply for (or sponsor) a visa, the NPSV of Option 2 falls by £168.7 million, from £2,097.8 million to £1,929.1 million (PV, 2023/2024 prices).

E.10.3 Fiscal pressure (public service provision)

145. The level of average cost of public service provision to migrants is uncertain, so sensitivity analysis tests how various estimates of the value of average public service consumption by migrants affects the NPSV. The difference between the low and high scenario is the inclusion of pure public goods and welfare costs in the estimate; the central case does not include pure public goods and includes half of the estimated welfare cost, as not all migrants may be eligible to receive welfare payments.
146. Assuming public spending at the low scenario, the NPSV of Option 2 falls by £50.9 million, from £2,097.8 million to £2,047.0 million (PV, 2023/2024 prices). This result implies that the Government saves less as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.
147. Assuming public spending at the high scenario, the NPSV of Option 2 increases by £30.5 million, from £2,097.8 million to £2,128.4 million (PV, 2023/2024 prices). This result implies that the Government saves more as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.

E.10.4 Fiscal revenue

148. The level of the average fiscal revenue collected from migrants is also uncertain, so sensitivity analysis has been carried out to generate a range around the estimated impact on the Exchequer. All scenarios include estimated contributions of foreign nationals to income tax, national insurance, indirect tax (such as VAT), council tax, and corporation tax. The central scenario incorporates business rates, and the high scenario adds gross operating surplus and other taxes.
149. Assuming fiscal revenue collection at the low scenario, the NPSV of Option 2 increases by £7.0 million, from £2,097.8 million to £2,104.9 million (PV, 2023/2024 prices). This result implies that the Government loses less tax revenue as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.
150. Assuming fiscal revenue collection at the high scenario, the NPSV of Option 2 falls by £56.6 million, from £2,097.8 million to £2,041.2 million (PV, 2023/2024 prices). This result implies that the Government foregoes more tax revenue as a result of migrants being deterred from entering or remaining in the UK by the higher visa fees.

E.10.5 Visitor spend

151. The NPSV of Option 2 only accounts for visitors' contributions to fiscal revenue (through indirect taxes such as VAT) and Home Office revenue. As tourism is an export and individuals with a visit visa spend money earned abroad on goods and services provided in the UK, the estimated fall in visit visas and associated visitor spend could have wider economic impacts. However, it is highly uncertain what goods and services visitors consume, and how many of those are provided by domestic businesses and, therefore, could be attributable to the UK economy.
152. A set of indicative sensitivity analysis around the central scenario is carried out in order to indicate how the NPSV could be impacted by the estimated fall in granted visit visas due to the higher fees. Table 13 illustrates the assumed proportion of visitor spend collected by domestic businesses.

Table 13: Remaining visitor spend (after accounting for taxation) attributed to the resident population, as a proportion of average visitor spend per trip to the UK

Scenario	Visitor spend to the UK (%)
Low	20%
Central	60%
High	100%

Source: Home Office assumptions

153. The cost to the UK from the foregone visitor spend collected by domestic institutions is calculated by considering average expenditure reported by the ONS Travepac in 2021²⁴ and subtracting the estimated contribution to fiscal revenue through indirect taxes. The remaining proportion is multiplied by the average number of trips to the UK per type of visit visa,²⁵ and the assumed share attributable to the UK in each sensitivity scenario.
154. The estimated fall in visit visas due to the higher proposed fees could result in the central NPSV of Option 2 to decline by between £15.0 million and £74.9 million (PV, 2023/2024 prices) over the appraisal period. In the central sensitivity assumption, foregone visitor spend is estimated at £44.9 million (PV, 2023/24 prices), representing a 2.1 per cent fall in the central NPSV estimate.

F. Proportionality

155. The analysis presented in this IA builds on analysis produced as part of the Immigration and Nationality (Fee) Order 2023 IA, Immigration Health Surcharge 2020 IA, and the Immigration and Nationality (Fees) (Amendment) (No.3) Regulations 2020 IA. The impacts of uncertain assumptions have been tested using low and high scenarios around the central assumptions, and additional sensitivity analysis has been carried out to test for uncertainties in volumes, public service provision per migrant, fiscal revenue collected per migrant, and foregone visitor spend.

G. Risks

156. All estimates presented are indicative. The analysis serves to provide a sense of scale and estimated impacts should be read in that context; estimated future behaviour and outcomes are particularly uncertain. The main identified risks of the analysis are outlined below.

²⁴ Travepac: travel to and from the UK - Office for National Statistics (ons.gov.uk):

<https://www.ons.gov.uk/peoplepopulationandcommunity/leisureandtourism/datasets/travepac>

²⁵ Individuals with a visit visa valid for 6 months are assumed to make one trip to the UK, in the year the visa was granted. 2 year visit visa holders are estimated to make two trips per year. Individuals whose visit visa is valid for 5 years are assumed to make two trips to the UK in the first two years, and then one trip per year for the remaining three years of their visa. 10 year visit visa holders follow a similar trajectory to 5 year visit visa holders, and make one additional trip for each of the remaining five years of their visa. Source: Home Office assumptions

G.1 Volumes

157. The visa demand volume estimates used as a baseline for the appraisal are subject to significant uncertainty. This has been highlighted throughout the IA and sensitivity analysis has been carried out in order to produce a wider range of the potential impact of the policy. However, all results, including calculated changes in the volumes of granted visas and NPSV estimates, should be treated with caution.

G.2 Behavioural response

158. Internal Home Office analysis has not found evidence of a significant relationship between small increases in fees and visa demand. Absence of evidence does not necessarily imply there is no relationship and the proposed fee increases on certain routes may represent a larger rise in the price of these visas than historic changes. The estimates of a potential negative effect on visa demand are presented, however, these may overstate the actual impact.
159. The analysis quantifies the impact of potential increases in visa fees and CoS/CAS fees using proxies of the price elasticity for visa demand available in the academic literature. The IA uses estimates of elasticity summarised in section **E.1.9** are the closest approximations available and do not represent the responsiveness of individual migrants, domestic businesses and education institutions to changes in fees. Therefore, results are uncertain and should be considered indicative. As the IA uses behavioural assumptions for both individual workers and businesses and for both students and education institutions, there is a risk that there may be some double counting if an individual deterred from applying for a visa is the same person whom businesses are deterred from hiring or education institutions are deterred from sponsoring. However, this impact is likely to be negligible due to the very low volumes deterred overall.
160. The central and high scenarios assume that the increase in CoS and CAS fees will deter some businesses from hiring migrants and some education institutions from sponsoring foreign students. In reality, the CoS or CAS fee may represent a very small proportion of total costs which means it is uncertain whether there will be any behavioural impact of the increase in these fees.

G.3 Fiscal impact

161. The fiscal impact related to changes in volumes is particularly uncertain. This IA uses a marginal approach of measuring the impact of migration policy on the UK Exchequer and excludes fiscal spend and revenue components that are unlikely to vary according to the number of individuals moving to the UK. Under the marginal approach, newly arrived migrants are assumed to have little or no impact on spending on services such as pure public goods and debt interest, or on revenue streams such as capital gains tax, inheritance tax and gross operating surplus. However, they are assumed to have an impact on congestible public goods and taxes paid by businesses such as corporation tax and business rates. These assumptions are uncertain and the true fiscal impact of such a migrant may differ, either positively or negatively.

G.4 Wider assumptions

162. Some assumptions, for example length of stay and visa grant rates, are based on evidence from recent years. The behaviour of current and prospective visa holders may not mirror those in the past. Varying fiscal, baseline and behaviour assumptions may help account for some of the wider uncertainties from data.

H. Direct costs and benefits to business calculations

163. The proposed increases to CoS and CAS fees are expected to result in a significant net costs to businesses. The rise in sponsorship cost per migrant is the only quantified direct impact on businesses, from those presented in section **E.6.2**. The reduction in CoS, CAS and ISC liability and

the anticipated loss in tuition fee revenue are treated as an indirect benefit and cost, as these arise as a secondary impact from the estimated fall in granted visas.

164. As a result, the annual average Estimated Annual Net Direct Cost to Business (EANDCB) under Option 2 is estimated at £27.8 million (2023/2024 prices) over the five-year appraisal period. This impact is a transfer between domestic businesses to the public sector, and has not been included in the NPSV of the policy.

I. Wider impacts

165. In 'The UK's future skills-based immigration system', the Government set out a framework for assessing the impact of migration policy.²⁶
166. Migrants play an important role in the economy. The impact of proposals that affect the number of migrants coming to, or leaving, the UK will be dependent on which migrants are in scope; their characteristics such as their age, income, health and wealth; and the nature of any proposal (for example, who may come to the UK and what they do whilst here). These factors combine to determine the size of the impact on the UK economy. The analysis assesses these impacts on the resident population and UK economy under the following broad categories:
- Macroeconomic impacts (for example, economic output, economic output per head, and the impact on the Exchequer);
 - Labour market outcomes (for example, the ability of firms to hire migrant workers);
 - Spill-over impacts on resident population (for example, cultural exchange or congestion/inflation impacts in local areas);
 - Policy design impacts on users of the system (individuals, businesses and the Government).
167. Some of these categories are inter-related, such as the link between labour market outcomes and macroeconomic impacts, while some are harder to quantify than others, such as the spill-over impacts of 'cultural exchange'. Of these, only the impact on users of the system is quantified in the main body of this IA.
168. While not negligible, the expected reduction in visas granted as a result of these changes is small compared to the total number of visas granted. Therefore, the macroeconomic effects as well as labour market and spill-over impacts on resident population are likely to be small. Additionally, the MAC acknowledges that the wider dynamic effects and congestion impacts are not possible to quantify, so this IA does not attempt to measure them, but it is assumed they would be small due to the small numbers involved.
169. Economic output is a function of labour used and capital employed and can be measured impartially by GDP. Each worker is a unit of labour and contributes to the creation of economic output. If all else is equal, higher work immigration means more workers in the economy and therefore higher economic output. Equally, a very small decrease in migration volumes caused by the increase in visa fees may have some impact in reducing economic output but this is unlikely to be significant. Whilst aggregate economic output is an important measure, when considering the economic impact of immigration, it is also important to consider GDP per capita / per person. On this measure, particularly in the short run, impacts will be small on aggregate as increased economic output are shared across a larger population. In line with MAC advice, it is important to note that although migration may affect GDP per head (by a small amount) mainly due to higher pay and employment rates of migrants compared to natives, it is the immigrants, rather than the resident population, who are the main gainers/losers. Therefore, it is important to focus on the impact migration has on the

²⁶ The UK's future skills-based immigration system, HMG, 2018:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/766465/The-UKs-future-skills-based-immigration-system-print-ready.pdf

GDP of residents through dynamic effects on productivity and innovation and this is dependent on the skill level of the migrants.

J. Trade impacts

170. There are a number of channels through which immigration may affect trade and, in general, the external literature finds a positive relationship between the stock of immigrants and trade. At a macro-level high immigration to the UK increases the UK population and consequently aggregate demand and the demand for imports. UK exports may also increase if immigration can enhance the international competitiveness of the UK. For example, Gould (1994) argues that immigrants have individual-specific knowledge of home-country markets which could enhance trading opportunities.²⁷ For example, immigrants may have a greater a knowledge of foreign languages which helps improve communication in trading relationships, and immigrants may have a greater understanding of legal arrangements which may help lower the fixed costs of trade. Other mechanisms through which immigrants may affect trade include a preference for home-country goods, which could increase the demand for UK imports through an increase in consumption.
171. As outlined above – while not negligible, the expected reduction in visas granted as a result of the preferred option is small compared to the total number of visas granted. Therefore, any trade impacts are be expected to be small.

J.1 Trade impact from a potential lower number of visitors

172. There may be an indirect impact on trade or investment through a reduction in business visitors to the UK. Research suggests that business visits have a positive impact on trade and investment.²⁸ However, the impact would only affect visitors from countries that require a visit visa to enter the UK.²⁹ Internal Home office analysis of 2018 International Passenger Survey data suggests that over 90 per cent of business visits to the UK in 2018 came from non-visa nationals. Business visitors' resident in EEA countries make most visits to the UK, with only the US in the top 10 countries of residence for number of business visitors.³⁰ In addition, compared to ordinary visitors, business visitors may be expected to be less sensitive to changes in visa fees as suggested by the evidence used in the IA on the airfare elasticity of demand.³¹

J.2 Trade impact on domestic businesses

173. Access to international talent continues to be very important for businesses based in and setting up in the UK and there could be implications associated with the higher cost of sponsoring international workers or these individuals' willingness to work in the UK under the proposed visa fees. Higher costs for businesses based in the UK to hire workers from other countries may create a perception of slightly reduced UK competitiveness for foreign investors looking to set up or invest into a UK-based company.

J.3 Trade impact on the education sector

174. Given the temporary nature of student migration, it is unlikely that student migration specifically will directly impact trade flows during their time studying in the UK. However, international students may have an impact on trade if they choose to stay in the UK and work after graduation. The extent of

²⁷ Gould (1994) 'Immigrant Links to the Home Country: Empirical Implications for U.S. Bilateral Trade Flows'
<https://www.jstor.org/stable/2109884>

²⁸ Oxford Economics, The value of international business travel – A report for GMTc, 2016
<https://ukevents.org.uk/component/phocadownload/category/5-industry-research?download=329:the-value-of-international-business-travel>

²⁹ <https://www.gov.uk/guidance/immigration-rules/immigration-rules-appendix-v-visitor-rules>

³⁰ International Passenger Survey (IPS) travelpac 2018

³¹ UK Aviation Forecasts; Department for Transport; 2017

this impact is likely to vary depending on how policy changes affect those switching from study to work, and the consequential changes to the stock of immigrants in the UK, which will impact trade.

K. Monitoring and evaluation plan

175. The Home Office reviews fees and charges for immigration and nationality applications annually. The Home Office also monitors application trends, and officials from all relevant government departments consider proposals to amend fee levels to ensure they do not adversely impact on the UK economy.

L. Annexes

Annex A: Visa fees under Option 2, current fee levels, and unit costs

Table A1: Proposed fee changes on work and study routes

Route	In or out of country	Current Fee	New Fee	£ Increase	% Increase	Unit cost
Study: Student and child student	In Country	£490	£490	£0	0%	£221
	Out of Country	£363	£490	£127	35%	£223
Investor, business development and talent work: Innovator	In Country	£1,292	£1,486	£194	15%	£516
	Out of Country	£1,036	£1,191	£155	15%	£516
Investor, business development and talent work: Global Talent – Approval Letter	Both	£456	£524	£68	15%	£906
Investor, business development and talent work: Global Talent – Main Applicant	Both	£167	£192	£25	15%	IC £485 / OOC £404
Investor, business development and talent work: Global Talent	Both	£623	£716	£93	15%	£425
Investor, business development and talent work: Tier 1 Exceptional Talent	Both	£623	£716	£93	15%	£425
Investor, business development and talent work: Tier 1 Entrepreneur	In Country	£1,292	£1,486	£194	15%	£516
	Out of Country	£1,036	£1,191	£155	15%	£516
Investor, business development and talent work: Tier 1 Investor	Both	£1,638	£1,884	£246	15%	£516
Sponsored skilled work: Skilled Worker (< 3 years)	In Country	£719	£827	£108	15%	£154
	Out of Country	£625	£719	£94	15%	£117
Sponsored skilled work: Skilled Worker (> 3 years)	In Country	£1,423	£1,500	£77	5%	£154
	Out of Country	£1,235	£1,420	£185	15%	£117
Sponsored skilled work: Skilled Worker – Shortage Occupation List (< 3 years)	Both	£479	£551	£72	15%	IC £154 / OOC £117
Sponsored skilled work: Skilled Worker – Shortage Occupation List (> 3 years)	Both	£943	£1,084	£141	15%	IC £154 / OOC £117
Sponsored skilled work: Health & Care Visa (< 3 years)	Both	£247	£284	£37	15%	IC £154 / OOC £117
Sponsored skilled work: Health & Care Visa (> 3 years)	Both	£479	£551	£72	15%	IC £154 / OOC £117
Sponsored skilled work: T2 Minister of Religion	In Country	£719	£827	£108	15%	£154
	Out of Country	£625	£719	£94	15%	£117
Sponsored skilled work: International Sportsperson (< 12 months)	Both	£259	£298	£39	15%	£129
Sponsored skilled work: International Sportsperson (> 12 months)	In Country	£719	£827	£108	15%	£154
	Out of Country	£625	£719	£94	15%	£117
Temporary Worker	Both	£259	£298	£39	15%	£129
Sponsored skilled work: Representative of an Overseas Business	In Country	£719	£827	£108	15%	£154
	Out of Country	£625	£719	£94	15%	£117
Sponsored skilled work: Global Business Mobility Senior Managers & Specialists (< 3 years)	In Country	£719	£827	£108	15%	£154
	Out of Country	£625	£719	£94	15%	£117

Sponsored skilled work: Global Business Mobility Senior Managers & Specialists (> 3 years)	In Country	£1,423	£1,500	£77	5%	£154
	Out of Country	£1,235	£1,420	£185	15%	£117
Temporary work: Global Business Mobility – Other routes	Both	£259	£298	£39	15%	IC £154 / OOC £117
Investor, business development and talent work: Scale-Up	Both	£715	£822	£107	15%	£211
Investor, business development and talent work: High Potential Individual	Both	£715	£822	£107	15%	£231
Graduate Route	In Country	£715	£822	£107	15%	£103

Table A2: Proposed fee changes on visit visas

Route	Current Fee	New Fee	£ Increase	% Increase	Unit cost
Visa up to 6 months (Short Term Visit Visa – STVV)	£100	£115	£15	15%	£135
Visa up to 2 years	£376	£400	£24	6%	£135
Visa up to 5 years	£670	£771	£101	15%	£135
Visa up to 10 years	£837	£963	£126	15%	£135

Table A3: Proposed fee changes to family, settlement, and other routes

Route	Current Fee	New Fee	£ Increase	Unit cost
Other Visa	£531	£637	£106	£144
Route To Settlement	£1,538	£1,846	£308	£405
Route to Settlement – refugee dependant relative	£388	£404	£16	£404
Indefinite leave to remain	£2,404	£2,885	£481	£491
Naturalisation British citizenship	£1,250	£1,500	£250	£416
Nationality registration as a British citizen - adult	£1,126	£1,351	£225	£416
Nationality registration as a British citizen – child	£1,012	£1,214	£202	£416

Table A4: Proposed fee changes to CoS and CAS

Route	Current Fee	New Fee	£ Increase	Unit cost	
Certificate of Sponsorship	Sponsored skilled work routes	£199	£239	£40	£230
Certificate of Sponsorship	Temporary work routes	£21	£25	£4	£230
Confirmation of Acceptance for Study	Student route	£21	£25	£4	£30

Unit costs calculation

The unit cost is the calculated estimate of the full financial cost for providing a service, including direct costs and relevant local and central overheads (for example, accommodation, HR, Finance and IT), plus depreciation, cost of capital employed, and other factors that are in connection to immigration and nationality, such as operational policy.

The approach the Home Office uses to calculate the published unit costs for all UK Visa, immigration and citizenship services considers the entire forecast cost of the relevant chargeable functions, including all related indirect costs. Weightings are then used, based on operational business planning data, to apportion the total cost across the range of services and products.

Unit costs may be influenced by changes in the way that applications in certain routes are processed from year to year, for example where additional checks are introduced or required, or by changes elsewhere within the overall system which impact on the weighting calculations and therefore the amount apportioned to any individual service.

The Home Office publishes all immigration fees and unit costs on GOV.UK.

Annex B: Grant rates per route

Table B1: Weighted average grant rate per visa route and applicant type, based on 2023/2024 projected baseline applications under the central scenario

Visa and Applicant Type			Weighted Average Grant Rate
Out of Country	Visit	Main	82%
	Investor, business development and talent	Main	93%
	Investor, business development and talent	Dependant	97%
	Sponsored skilled work	Main	93%
	Sponsored skilled work	Dependant	92%
	Study	Main	97%
	Study	Dependant	92%
	Temporary work	Main	98%
	Temporary work	Dependant	99%
	Family	All	88%
	Other	All	94%
In Country	Investor, business development and talent	Main	97%
	Investor, business development and talent	Dependant	94%
	Sponsored skilled work	Main	93%
	Sponsored skilled work	Dependant	92%
	Graduate route	Main	98%
	Graduate route	Dependant	98%
	Study	Main	100%
	Study	Dependant	99%
	Temporary work	Main	99%
	Temporary work	Dependant	98%
	Settlement	All	99%
	Nationality	All	98%
	Other	All	100%

Annex C: Indicative analysis of the impact arising from increasing and aligning fees for Priority Visa (PV) and Super Priority Visa (SPV) services

1. There is a great deal of uncertainty around the impact of changes in priority visa (PV) and super priority visa (SPV) fees. Primarily, there is little available evidence on the behavioural response of applicants to such a change. Additionally, the number of applicants applying for PV and SPV in the future may change; the demand in the absence of a policy change is uncertain; and global conditions may have an impact on demand.
2. To analytically support the decision to amend PV and SPV visa fees, the Home Office have estimated a number of illustrative scenarios to set out potential impact on revenue of the changes in Table C1. The scenarios are highly uncertain and should only be used as an indication of the impact if the assumptions set out occur.

Table C1: Proposed fee changes for priority services under Option 2

Route	Current Fee		Proposed Fee	
	PV	SPV	PV	SPV
In country	£500	£800	£500	£1,000
Out of Country (non-settlement)	£250	£956	£500	£1,000
Out of country (settlement)	£573	£956	£500	£1,000

Methodology

3. The baseline applications used in the analysis are derived via the same methodology discussed in section E.1.3 of the main body of the IA. Table C2 outlines the baseline volume of migrants estimated to apply for PV and SPV services across all eligible routes and countries.

Table C2: Estimated baseline volumes of applicants

Service	Cohort	2023/2024	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029
PV	Out of Country	688,000	645,000	645,000	645,000	645,000	645,000
	In Country	164,000	179,000	177,000	177,000	177,000	177,000
	Total	852,000	824,000	822,000	822,000	822,000	822,000
SPV	Out of Country	54,000	59,000	59,000	59,000	59,000	59,000
	In Country	73,000	77,000	77,000	77,000	77,000	77,000
	Total	127,000	136,000	136,000	136,000	136,000	136,000

Source: Internal Home Office estimates

4. Baseline volumes are then split into two cohorts of applicants: those who are assumed to use the service whatever the price, and those who are assumed to be sensitive to a change in price. This proportion is based on responses to a 2021 UKVI survey³² of PV and SPV users across Visit, Study and Work routes. 53 per cent of respondents stated a need to be in the UK faster than standard services allowed - this proportion of individuals is assumed to continue to use the service under the higher PV and SPV prices, as the reason they need to be in the UK is important enough to them to pay the fee. The remaining 47 per cent are assumed to be more price sensitive and could change their use of premium services in response to changes in fees.
5. Scenarios are then constructed under three assumptions for the behavioural impact of a change in priority and super priority visa fees on the cohort who are sensitive to a price change:
 - a. An increase in the cost of a priority visa will cause some people to no-longer use the service. These people will instead use the standard service.
 - b. An increase in the cost of a super priority visa will cause some people to no-longer use the service. These people will instead use the priority service.

³² 1,021 respondents from applicants who received a decision on a Visit, Study or Work visa between 1 August 2019 and 31 December 2020

- c. As the difference between the price charged for a super priority service over and above a priority service falls, some applicants will choose to use the super-priority service as it is relatively less expensive than previously.
6. In all cases, the same would be assumed to be true in reverse if prices were to fall, or the difference between the price charged for a super priority and a priority service were to increase.
7. It is assumed that a change in the price of PV and SPV services will have a relatively small impact on the volume of applicants to each service as individuals will likely consider the fee small enough that a price change of the order analysed will not materially change their decision to use the service.
8. Volume changes are then monetised using the difference in PV and SPV fees and their additional processing costs, which are assumed to stay the same (and set out in Table C3), in various scenarios to estimate the impact on net Home Office revenue. It is assumed that all individuals will continue to apply to enter the UK so wider impacts such as fiscal contributions and public service use are unaffected. However, some individuals (who are assumed to have used the service no matter the price) may actually be priced out so the estimates provided in this Annex may be an underestimate of the actual impact.

Table C3: Current PV and SPV processing costs per applicant

	PV	SPV
In country	£25.08	£48.80
Out of country (non-settlement)	£14.88	£48.80
Out of country (settlement)	£25.08	£48.80

Scenarios

9. To capture the uncertainty inherent in the behavioural response to changes in PV and SPV fees, scenarios are used to provide an indication of what may happen in each case set out below.
10. In the absence of a behavioural response to the increase in PV and SPV fees, the estimated impact on Home Office revenue would be equivalent to that presented in the central NPSV in the main text of the IA - £68.1 million in the 2023/2024 financial year, rising to £167.1 million in 2024/2025. Over the five-year appraisal period, the increase in priority service revenue is estimated to be £775.8 million (PV, 2023/2024 prices).

Reasonable full range

11. The reasonable full range estimates what would happen if all applicants in scope to be impacted, the 47 per cent sensitive to a price change, dropped down a service level upon a price change. Applicants do not respond to the proximity of PV and SPV fees to one another. The resulting increase to premium service revenue is estimated at £25.0 million in 2023/2024 and £71.3 million in 2024/2025, reaching a total of £327.2 million (PV, 2023/2024 prices) over the appraisal period.
12. It is considered to be highly unlikely that applications would drop by this amount as individuals using PV and SPV services are likely to have a high willingness to pay for the service.
13. Given that over half of applicants to PV and SPV are assumed to use the route no matter what, and the fee is doubling for the largest cohort of migrants, this scenario sets out that the increase in fee is likely to lead to an increase in net revenue to the Home Office, even in a reasonable worst case scenario.

Refined estimates

14. Given the low likelihood of all 47 per cent of eligible applicants ceasing to use premium services, this analysis has been refined by using a set of **illustrative** assumptions for the three behavioural

changes discussed in paragraph 5 to estimate the responses of migrants assumed to be responsive to a change in price.

15. As SPV is the faster and more expensive service, it is assumed that individuals will be less responsive to a change in price as they will either need their visa next-day or have a higher willingness to pay for the service. The proportions used to estimate the impact of the change in fees for every £200 increase are given below in Table C4. These proportions are extremely uncertain and should only be used as an indication of what could happen in the event of these assumptions holding true, and does not reflect an assessment of likelihood of outcome.

Table C4: Proportion of migrants who are assumed to respond to a £200 change in price

Cohort	Low responsiveness (%)	Central responsiveness (%)	High responsiveness (%)
PV to standard	0	20	40
SPV to PV	0	7.5	15
PV to SPV	0	5	10

16. Under these assumed behavioural responses, and acknowledging the high levels of uncertainty, the net increase in premium service revenue is estimated to range between £61.2 million and £68.1 million in 2023/2024, and rise to £125.3 million - £167.1 million in 2024/2025. Over the appraisal period, the range is estimated to lie between £706.5 million and £775.8 million (PV, 2023/2024 prices).

SPV cap scenario

17. Internal UKVI operational constraints may be impacted by the possibility of migrants responding to the narrowing of the gap between PV and SPV services by opting for a SPV service. To mitigate this, the analysis estimates a further scenario where the assumed behavioural responses in Table 5 still hold, but the PV to SPV movement is restricted. The estimated impacts of this 'SPV cap' scenario range between £606.8 million and £775.8 million (PV, 2023/2024 prices) over the appraisal period.
18. Table C5 summarises the estimated annual increase in premium service revenue collected by the Home Office under each scenario.

Table C5: Estimated impact of £500/£1,000 PV/SPV fees in different scenarios (PV, 2023/24 prices, £m)

Present values (2023/2024 prices)	2023/2024*	2024/2025	2025/2026	2026/2027	2027/2028	2028/2029**	Total
Reasonable full range scenario							
Low revenue	25.0	71.3	68.9	66.6	64.3	31.1	327.2
Central revenue	~	~	~	~	~	~	~
High revenue	68.1	167.1	161.4	155.9	150.6	72.8	775.8
Refined scenario							
Low revenue	61.1	152.3	147.1	142.1	137.3	66.3	706.5
Central revenue	64.7	159.7	154.2	149.0	144.0	69.6	741.1
High revenue	68.1	167.1	161.4	155.9	150.6	72.8	775.8
SPV cap scenario							
Low revenue	51.8	131.0	126.5	122.3	118.1	57.1	606.8
Central revenue	59.9	149.0	144.0	139.1	134.4	64.9	691.3
High revenue	68.1	167.1	161.4	155.9	150.6	72.8	775.8

Source: Home Office analysis, rounded to the nearest £100,000

~ indicates a central scenario has not been estimated; * appraisal period starts Q3, ** appraisal period ends Q2

19. The Home Office recommends using the refined estimates as an indication of the potential impact of an increase in PV and SPV fees, caveated by anticipated revenue changes with a cap on SPV applications and noting that it is considered highly unlikely for any change in revenue to be negative. For example, in the refined scenario, the impact of increasing PV and SPV fees to £500 and £1,000, respectively, is between £706.5 million and £775.8 million (PV 2023/2024 prices) over the five-year appraisal period. Even in a worst-case scenario, it is likely that there will be an increase in revenue of around £327.2 million (PV, 2023/2024 prices) over the appraisal period.

Impact Assessment Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>The Secretary of State’s public sector equality duty has been considered in the course of developing the changes set out in this amendment to the Immigration and Nationality (Fees) Regulations 2018. In summary, the main conclusions of these considerations are as follows:</p> <ul style="list-style-type: none"> • We have assessed the potential for direct discrimination as a result of the fee increases. Given that the proposed fee alignments and increases will be applicable equally to all applications within the same/similar product categories we do not consider that there will be any direct discrimination as a result of these changes. • We have assessed the potential for indirect discrimination as a result of the fee increases. We note that certain routes are more popular with people that share certain protected characteristics than others and that some routes are subject to greater fee increases than others. That means that some people that share certain protected characteristics will be more affected than others because the fees increases are not uniform. However, there are material differences in the circumstances of the applicants for the affected routes as these are significantly different products in terms of eligibility and entitlements resulting from a successful application, and as such the circumstances of applicants on those routes would necessarily be materially different. Therefore, no indirect discrimination arises by virtue of section 23 of the Equality Act 2010. We consider that the approach of charging consistent fees which do not differentiate on the basis of individuals’ protected characteristics represents a fair approach, and that it would be disproportionate to pursue any differentiation to mitigate minor potential impacts. <p>The SRO has agreed these summary findings.</p>	<p>Yes</p>