



**CHARGE FOR APPLICATIONS FOR LEAVE TO
REMAIN (LTR) ASSOCIATED WITH AN IMMIGRATION
EMPLOYMENT DOCUMENT (IED)**

FINAL REGULATORY IMPACT ASSESSMENT

03/02/05

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1. Title of proposed regulation

1.1 The charge for the consideration of applications for leave to remain (LTR) associated with an immigration employment document (IED). Final Regulatory Impact Assessment.

2. Purpose and intended effect

Objective

2.1 To deliver a flexible, self-financing managed migration programme that meets the UK's economic needs by 2008.

2.2 To reduce reliance on the public purse (i.e. the general taxpayer) to fund the ongoing modernisation of the immigration system and deliver improvements in the services by charging a fee for applications for IED LTR, made by non-EEA nationals who are seeking to extend or vary permission, allowing them to work in the UK.

3. Summary of the consultation findings

3.1 This assessment estimates the costs and benefits to UK businesses when the fee is increased for the consideration of LTR (IED) applications. It reflects the response to the public consultation undertaken in the United Kingdom from 15 September 2004 to 8 December 2004.

3.2 The proposal is that the charge will increase to £335. Although the responsibility to apply for LTR and payment of the fee falls to the individual, the recent consultation has indicated that 54% of employers would be willing to pay on behalf of the individual. An organisation can only recruit someone who is essential to their business and where it has not been possible to recruit someone from the UK/EEA. However, the employer makes the choice to pay the fee on behalf of the individual. If this is the choice then this is a voluntary burden for the employer.

3.3 We issued approximately 1,486 consultation documents to cover all chargeable work streams of the consultation directly to our customers. The consultation findings are based on 33 responses received from employers, representatives and organisations.

3.4 The consultation was designed to determine the impact of the current charge as well as asking customers for their opinion about the potential impact the increased charge might have on their business. It should be noted that not all respondents answered every question.

73% of 30 respondents agree these are the right principles to be considering.
75% of 31 respondents consider that the introduction of charging had had a serious or very serious impact.

73% of 32 respondents consider that increasing the fee to recover full enforcement costs will have a serious or very serious impact.

73% of 28 respondents consider that increasing the fee to recover partial

enforcement costs will have a serious or very serious impact.
54% of 24 employers would be prepared to pay on behalf of an applicant.
61% of 26 respondents agree that the increase in fees would affect the number of applications made.
50% of 26 respondents would use a BACS method of payment.

3.5 Although the response rate was not high it should be noted that some of the responses were from representative bodies (see Annex A), reflecting the views of their members. The majority of respondents considered charging had had a serious impact on themselves or their organisation. More also thought that the recovery of both full and partial enforcement costs and subsequent fee increases would reduce the number of applications made. 54 % of employers indicated that they would be prepared to pay on their workers' behalf. Comments received highlight that any rise in fee should be accompanied by a vast improvement in service. It was noted that the fee levels do not represent value for money. Some respondents pointed out that many applications received were for short periods of employment and proposed a sliding scale of charges should be considered.

3.6 The number of responses to this section was small (33) although they include a significant number of organisations (15) who are classed as either micro or small business (less than 49 employees) and 5 who make more than 100 applications annually. The previous IED LTR consultation undertaken between July and October 2003 resulted in 71 responses. However, it should be noted that ILPA, the BMA and the Law Society have responded on behalf of their members. Without their co-ordination role the number of individual responses may have been far higher.

Impact of fee increase

3.7 There was broad opposition to the increased cost of IED LTR with 75% of respondents indicating the revised fee would have a serious or very serious impact. The rise is not seen as reasonable. A number of smaller businesses and the NHS have stated that they would be unable to bear the cost and therefore the applicant would have to pay – thus making it more difficult to attract staff. There was also concern that the proposed costs would be prohibitive, that they would have a disproportionate effect on low income earners and those, particularly in the Entertainment Sector, where short term extensions of a few weeks are sometimes required. One large employer/representative stated as an organisation they could swallow the costs, but smaller companies may not do so easily.

- There was also agreement from a number of important customers (The British Medical Association (BMA), Immigration Law Practitioners (ILPA), Permits2Work Ltd, Law Society and Berwin Leighton Paisner) that the service standards were extremely poor, and therefore a fee increase could not be justified.
- Our current service standards are to make **immigration decisions on 70% of approved cases relating to In-Country applications within 3**

weeks (15 working days) and 90% in 8 weeks (40 working days) of receipt by Work Permits (UK).

54% of employers said they would pay the IED LTR fee on behalf of the applicant (down from 67% from the last consultation) and 50% would use BACS if it were introduced.

69% of respondents stated that the fee increase would affect the number of applications they make. The comments ranged from limiting employers from transferring employees to just submitting fewer applications.

Enforcement Cost Recovery

3.8 On the point of whether full or partial enforcement should be included 73%, stated that both options would have a serious or very serious effect. Again the vast majority of comments centred around the fee being excessive. However, other comments included companies applying themselves, getting it wrong, and therefore leading to more immigration problems, people going abroad and getting a work permit rather than applying for an extension whilst in the country (a work permit being cheaper) and particular problems faced by TWES permit holders as these positions are supernumerary. There was also concern that individuals who change jobs may fail to lodge an application for IED LTR.

3.9 On the principle of whether enforcement should be included in the fee, comments were mixed. The Law Society did not think the current arrangements were well thought through, one employer agreed with the principle that those who benefit from the service should pay, a few thought there should be differential charging based on those who historically require enforcement. Other comments included that the economic and social benefits of migrants should be assessed as well as the benefits the taxpayer gains from a well managed migration system. 73% agreed the principles we were considering were correct.

Other Options

3.10 Other comments included in the consultation included simplifying the process to avoid the yes – no syndrome and the UK pricing itself out of the market. Introducing the revised fees with the current service standards would add insult to injury, the fee would be a significant burden and disincentive to certain small business and NHS Trusts and employers who need to recruit from abroad would have no choice.

4. Background

4.1 The Immigration and Asylum Act 1999 allows fees to be prescribed for the consideration of applications for LTR in the United Kingdom.

4.2 HM Treasury policy is that charges should be set to recover the full cost of the service provided (including support costs) in order to ease the burden on the general taxpayer.

4.3 Work Permits (UK) introduced charging for LTR (IED) applications on 1 April 2004. Currently we charge applicants £121 for the consideration of applications for LTR (IED).

4.4 During 2005/2006 Work Permits (UK) expects to receive approximately 42,000 **main** LTR (IED) applications. Applicants' dependants who also require LTR will not be charged if they are made on the same form.

4.5 In response to customer and stakeholder feedback a premium service for LTR (IED) applications will be available at the Public Enquiry Office (PEO) in Croydon. This facility will cost £500 per application. It should be noted that this option is a **voluntary** one. Customers who do not choose this service would continue to use the postal option.

4.6 Work Permits (UK) will not reimburse any costs if the LTR (IED) application is refused or the worker does not take up employment.

4.7 It should also be noted, that whilst there is only a single fee for a work permit for a Sports and Entertainment group application, the charge for LTR (IED) is payable by **every** member of a group.

5. Risk Assessment

5.1 An effective managed migration system relies (amongst other things) upon the delivery of an efficient and robust in-country control. This means processing applications in a timely manner, delivering consistent, high quality and robust decisions, identifying and taking action against abuse, and providing a facility for unsuccessful applicants to appeal.

5.2 Without the increase to the fee a significant proportion of the burden would still be met by the general taxpayer, therefore, those using the service would be partially subsidised by those not using the service. Without an increase in the fee, this would also put investment in other public services at risk as well as reducing the ability to provide a responsive, robust and high quality service.

6. Sustainable development

6.1 We can see no social or environmental sustainable development issues within these regulations. The economic impact of these proposals is addressed at Section 8.

7. Options

7.1 Five options were identified in the partial R.I.A.

All options will apply to all main LTR (IED) applications.

1. Retain the status quo
2. Recovery of administrative costs only, up to the point of making and conveying a decision

3. Recovery of administrative and appeals costs
4. Recovery of administrative, appeals and partial enforcement cost
5. Recovery of partial administrative, appeals and full enforcement costs

Option 1 — Retain the status quo

This option entails keeping the fee at its present level of £121. This option would mean the Home Office under recovering £17.8m of the total costs as described in Option 5. This option recovers only part of the costs described in Option 5.

Potential Benefits

- To adopt this option would mean we would continue to recover a proportion of our costs to provide a service

Potential Disadvantages

- Home Office and the Department for Constitutional Affairs would be unable to recover the full cost of delivering the LTR (IED) service
- the general taxpayer would continue to subsidise the service
- A shortfall in income could hinder IND's ability to deliver wider business improvements and modernisation of the service.

Option 2 – Recovery of administrative costs only, up to the point of making and conveying a decision

This option entails recovering a fee, currently calculated at £309, which covers the costs of delivering the service and direct overheads such as accommodation, IT, HR support etc. It does not recover the cost of the appeals function or the costs of enforcement action. This option would mean the Home Office under recovering £10m compared with recovering the full costs as described in option 5.

Potential Benefits

- To adopt this option would mean we would continue to recover a proportion of our costs to provide a service

Potential Disadvantages

- Home Office and the Department for Constitutional Affairs would be unable to recover the full cost of delivering the LTR (IED) service
- the general taxpayer would continue to subsidise the service
- A shortfall in income could hinder IND's ability to deliver wider business improvements and modernisation of the service.

Option 3 – Recovery of administrative and appeals costs

This option entails recovering a fee, currently calculated at £335, which covers the costs of delivering the service, direct overheads such as accommodation, IT, HR support etc and the appeals function. It does not recover the cost of enforcement action. This option means the Home Office would under recover £9.8m compared with recovering the full costs as described in option 5.

Potential Benefits

- This option would mean we would recover a proportion of our costs (i.e. those derived from providing the administrative service and an appeals function);

Potential Disadvantages

- The Home Office would not recover the full costs of delivering the LTR IED service
- Enforcement activity would continue to be subsidised by the general taxpayer, to the possible detriment of other services.

Option 4 – Recovery of administrative, appeals and partial enforcement costs

This option entails recovering a fee, currently calculated at £524, which covers the costs of delivering the service and direct overheads such as accommodation, IT, HR support etc, appeal costs and partial enforcement such as the costs of staff and their support in monitoring and taking effective action against any abuse. It does not recover the full costs of all enforcement action which detention, removal and security costs. This option would mean the Home Office under recovering £2.8m compared with recovering the full costs as described in option 5.

Potential Benefits

- This option would mean we would recover a proportion of our costs (ie: those derived from providing the administrative service, appeals and partial enforcement function);

Potential Disadvantages

- The Home Office would not recover the full costs of delivering the LTR IED service
- Certain elements of enforcement activity would continue to be subsidised by the general taxpayer, to the possible detriment of other services

Option 5 - Recovery of administrative, appeals and full enforcement costs

This option would recover all the costs. This option entails setting the fee, currently calculated at £598, which covers the end to end costs of the whole process. This level of fee covers the current total costs of delivering the service and direct overheads such as accommodation, IT, HR support etc, appeal costs and full enforcement which include the cost of staff and their support in monitoring and taking effective action against any abuse and detention, removal and security costs.

Potential Benefits

- Full cost recovery to support the modernisation of IND
- Full cost recovery will help to ensure that the Immigration Service is funded to deliver a level of enforcement activity which supports compliance and tackles abuse.
- Enforcement activity is an integral part of an effectively managed migration system. There are benefits to users of the system over and above the benefit to the general taxpayer, for which it is appropriate and reasonable to reflect in the fee. These benefits include:
 - being able to have confidence in the integrity of the system
 - the quality and robustness of decision-making
 - obtaining controlled access to the UK labour market.
 - Maintain, and where possible, enhance the service
- Effective enforcement action against illegal migration provides benefits to legal migrants. For instance, unchecked illegal working depresses wages, encourages poor working conditions and discourages the employment of legal migrants.

Potential Disadvantage

- The fee level may have a negative impact on demand, resulting in a consequent fall in income for the IND of the Home Office
- May lead to employers using people from countries currently exempt from the fee
- May lead to employers employing people illegally

8. Unintended consequences

8.1 The partial R.I.A identified a number of consequences which may have arisen if the fee were to be increased. These consequences and also those identified by respondents to the consultation are listed below with our views.

Has the charge led to employers using people from countries currently exempt from the fee?

8.2 There is no evidence that charging for applications has led to employers employing nationals who are exempt from the charge. As an example, in April, May and June 2002 before charging was introduced, 14%, 15% and 14% respectively of total applications were received for nationals of countries who later would be exempt from the charge. Charging was introduced in April 2003 and in April, May and June 2003 16%, 14.5% and 13% respectively of total applications were received for nationals of countries who were now exempt. Since 1 May 2004 the number of exempt countries has reduced due to EU enlargement. However in March 2004 the percentage of applications made for exempt nationalities remained at only 11%.

8.3 Although the total of applications varies month by month it is clear from the above that the proportion of exempt countries has broadly remained the same.

8.4 Therefore, we do not believe (and this appears to be borne out by the recent consultation findings) that the proposed increase in the fee would encourage employers to employ more nationals from countries who are currently exempt from the charge.

Has the charge led to employers using people from the resident or EEA labour force?

8.5 Before issuing a work permit application and the consequent IED LTR application, the Home Office needs to be satisfied that the employer cannot find a suitable employee from within the UK/EEA labour market. As employers need to satisfy themselves that this is the case before making a work permit application, we do not envisage the fee increase having such an effect. Were this to happen this would not be a negative consequence in itself, although it would signal that the work permit system was not operating as intended.

Illegal working

8.6 There is no evidence that charging or increasing the charge has deterred applicants from abroad making legitimate applications (in order to apply for this document the applicant needs to be in the country). Furthermore, we have no evidence to suggest that individuals who have come to the end of their legal stay in the UK decide to continue to remain in the UK illegally rather than pay for a legitimate application.

8.7 Legal status in the UK brings a number of benefits, depending on the category, which are not enjoyed by those here illegally. There are a number of sanctions in place in relation to illegal working primarily through Section 8 of the Asylum and Immigration Act 1996. The ultimate sanction under this legislation would be employers facing a fine of up to £5,000 in a Magistrates Court and if pursued in the Crown Court there is no limit to the level of fines on conviction, and the illegal immigrant, under a separate immigration offence, being removed from the UK.

8.8 For the scale of increase discussed here we do not envisage the increase in cost to be sufficient to lead individuals (or employers) to risk the above punishments.

8.9 We will review the situation continually as stipulated under Paragraph 18 of this R.I.A.

More employers pass on the costs to employees – with the possible consequence of employees deciding to work elsewhere

8.10 The IED LTR fee is payable by the employee and not the employer, although 54% of employers who responded stated they would voluntarily take on this burden. It is clear from the previous IED LTR consultation undertaken in 2003 that fewer employers (67% compared to 54% now) would be willing to take on this burden. So whilst it is accepted that more employees would pay the fee there is no evidence that it would deter the employee from working in the UK.

8.11 Although the fee payable is a factor, there are a number of other major factors that determine where employees work. These include career development, family considerations, pay and conditions in the UK. There is currently no evidence to suggest the fee increase would result in such an outcome.

More employers pay the fee on behalf of employees.

8.12 The employer, in deciding whether or not to pay the fee, would consider the risk that the employee would not be willing and able to pay the fee. If the employer felt this was a genuine possibility then it is most likely that they themselves would pay the fee. This is because the fees discussed here are at such a level that this is likely to be the cheapest option available to the employer.

8.13 This would lead to a higher cost to business than outlined in tables 2-5 equal to around £10m. This would be justified on the basis that employers would only undertake this higher cost if they feel the benefits outweigh the costs. Employers benefit from this service so it is fair that they meet at least part of the cost of providing the service.

Both individuals and employers are either not willing to or are unable to pay the higher fee and so employers let their vacancy go unfilled

8.14 The consultation included a couple of respondents who stated that there may be a possibility that some employers may not fill their vacancies

8.15 The purpose of the Work Permit Scheme is to allow employers to fill posts which are essential for the business where they have been unable to recruit or train from the UK/EEA labour force. By this definition the employee brings in essential skills to the business which helps them compete in their market or provide an essential service.

By the very fact that individuals are applying for LTR signals that staying in the UK is their preferred option and they are receiving a benefit from remaining here compared to their next best option. An increase of around £200 may mean that staying in the UK is no longer their best option, but this would need to be weighed up against the cost of moving. If this was the case they could ask their employer to pay on their behalf. For an employer paying a salary of £20,000 a year the increase represents an increase of less than 1%. In order for the vacancy to go unfilled it would therefore need to be the case that;

- a) the only reason the individual is remaining in the UK is because it would be too expensive to move (assuming the cost of moving is greater than £200); and
- b) the increased expense of around £200 means that the employer no longer believes it is worthwhile filling the vacancy with a work permit holder.

Economic Impact

8.16 For these reasons the Home Office do not believe a fee of £335 [which represents a very small proportion of the cost involved in employing a work permit holder] would deter employers from filling their vacancies as the net benefits to the employer and/or individual will significantly outweigh this charge. The Home Office envisages no significant impact on the UK competitiveness.

9. Equity & Fairness

9.1 We have considered the race equality impact and we do not consider that any group, individual or particular sectors would be adversely affected or discriminated against by these proposals.

9.2 These proposals do not discriminate on grounds of race, religion, nationality, gender, sexual orientation or political opinion. The fees are designed to be fair to all individuals who utilise the leave to remain service and be proportionate to the level of risk they represent to the immigration control, the quality of the service provided, and the benefits they receive.

10. Cost to Business

10.1 We intend to continue to use the current payment systems i.e. credit/debit cards (Visa and MasterCard), Cheques and Postal Orders. We are also looking at whether a BACS payment system should be introduced.

Assumptions

10.2 The forecast for 2005/2006 is 42,000 LTR (IED) main applications of which it is forecast 12,000 applications will be made at the Public Enquiry Office (PEO). However, it is estimated 11% of all main applications will be exempt from the charge (paragraph 10 refers) therefore 37,380 applications will incur a charge.

10.3 The 2004 consultation highlighted that the majority of employers (54%) would be willing to pay the fee on behalf of the individual therefore the additional burden of the charge would fall to the employer and would be a **voluntary** burden.

10.4 We have received representations from various customers requesting a premium service via our Public Enquiry Office (PEO) in Croydon. Although we have not consulted widely with our customers on this issue it has been agreed by our Minister that this facility will be introduced for LTR (IED) applications from 1 April 2005.

10.5 It should be noted however, that this option is a **voluntary** one. The personal callers' applications will be dealt with on the same day, as long as the application is complete and we do not need to make further enquiries. The cost of this application will be £500 and the forecast of applications for 2005/2006 is 12,000 applications (less 11% exemption rate = 10,680). Customers who do not choose this service would continue to use the postal option.

Table 1 - Breakdown of applications Postal/PEO

Total forecast of main IED(LTR) applications for 2005/2006	42,000 applications
Exemption rate of 11%	37,380 applications
Postal applications @ £335 per application	26,700 applications
PEO applications @ £500 per application	10,680 applications

10.6 Data from the 2003 work permit consultation showed that: 70% of respondents were employed in the Private Sector and 30% employed in the Public Sector.

10.7 Using the above information and assumptions an assessment of the potential cost burden to Public and Private Sector employers as a result of an increase in the LTR IED fee is given in Tables 2&3

Table 2 – Breakdown of the estimated additional cost to employers for postal and PEO applications– 2005-06

Current cost of IED LTR = £121	Additional burden on all business (54% of employers pay the fee)	Additional burden on Private Sector Employers (70%)	Additional burden on Public Sector (30%)
Number of postal applications @ £335	26,700 x 54% = 14,418	14,418 x 70% = 10,093	14,418 x 30% = 4,325
Option 3 Recovery of partial administrative and appeals costs £214 increase	£3.09m	£2.16m	£0.93m
Number of PEO applications @ £500	10,680 x 54% = 5,767	5,767 x 70% = 4,037	5,767 x 30% = 1,730
Option 3 Recovery of partial administrative and appeals costs £379 increase	£2.19m	£1.53m	£0.66m
Totals	£5.28m	£3.69m	£1.59m

Table 3 – Breakdown of the estimated total cost to employers for postal and PEO applications – 2005-06

Current cost of IED LTR = £121	Total Cost to business (54% of employers pay)	Cost to Private Sector (70%)	Cost to Public Sector (30%)
Number of postal applications @ £335	14,418	10,093	4,325
Option 3 Recovery of partial administrative and appeals costs	£4.83m	£3.38m	£1.45m
Number of PEO applications @ £500	5,767	4,037	1,730
Option 3 Recovery partial administrative and appeals costs	£2.88m	£2.02m	£0.86m
Totals	£7.71m	£5.4m	£2.31m

11. Exemptions

11.1 Prospective employers of nationals of countries who have signed and ratified the Council of Europe Charter or the Council of Europe Revised Social Charter will be exempt from the fee. Currently, applicants (or employers making IED applications on their behalf) who are nationals of Albania, Armenia, Bulgaria, Croatia, Moldova, Romania and Turkey do not have to pay a fee when submitting a LTR IED application.

12. Consultation

12.1 The Immigration and Nationality Directorate (IND) ran a formal consultation exercise on the proposed fee ranges for certain immigration applications. The consultation was conducted in accordance with Cabinet Office guidelines and ran from 8 September 2004 to 8 December 2004. The consultation findings and the Home Office's response to them will be available on our website www.workingintheuk.gov.uk

13. Small Business Impact Test

13.1 The Small Business Service of the DTI have commented that they are disappointed that the fees for applications to these schemes, introduced only recently (in April 2004), are to be once again revised significantly upwards. These increased fees will have an even more significant impact where more than one foreign national is employed within a company.

13.2 The 2002 Work Permit consultation showed that approximately 27% of applications are made by small businesses (those employing less than 50). Therefore taking this into account, the number of main LTR (IED) applications made by small businesses would be 27% of 26,166, (the number of applications made by the private sector) which equates to approximately 7,065 applications. (This figure is based on 37,380 main LTR (IED) applications forecast for 2005/2006 less 30% of applications which fall within the public sector.)

13.3 The 2002 Work Permits (UK) consultation also showed that the top 5 sectors of applications from small businesses were:

- a) Entertainment & Leisure Services
- b) Computer Services
- c) Administration, Business and Management Services
- d) Health & Medical Services
- e) Hospitality, Hotel & Catering

13.4 The 2004 consultation indicated that **47%** of small business employers would be willing to pay the charge on behalf of the individual, therefore the costs to small business, should they wish to take on this **voluntary burden** is detailed in Tables 4&5 below.

Table 4 - Additional cost burden on Small Business Sectors 2005-2006

PEO cost	£379		42000	main applicants per year
Postal cost	£214		37380	minus 11% exempt applicants
PEO per day	50		26166	minus 30% public sector applicants
			7065	27% of applications are from small business

<i>PEO Apps.</i>				<i>Postal Apps.</i>				
		2019				5046		
			Total Cost	from the split of 50 applications per day in PEO			Total Cost	
	% Split			only 47% of small business will pay	% Split		Total Cost	
Ents	21%	949	£359,559		21%	2372	£507,557	£867,116
Comp	18.50%	199	£75,507		18.50%	498	£106,587	£182,094
Admin	14%	176	£66,518		14%	439	£93,898	£160,416
Health	11.50%	133	£50,338		11.50%	332	£71,058	£121,396
Hospitality	9%	109	£41,349		9%	273	£58,369	£99,718
Other	26%	85	£32,360		26%	213	£45,680	£78,040
		247	£93,485			617	£131,965	£225,450

Table 5 – Total cost burden to small business sectors – 2005-2006

PEO cost	£500		42000	main applicants per year
Postal cost	£335		37380	minus 11% exempt applicants
PEO per day	50		26166	minus 30% public sector applicants
			7065	27% of applications are from small business

<i>PEO Apps.</i>				<i>Postal Apps.</i>				
		2019				5046		
			Total Cost	from the split of 50 applications per day in PEO			Total Cost	
	% Split			only 47% of small business will pay	% Split		Total Cost	
Ents	21%	949	£474,352		21%	2372	£794,540	£1,268,892
Comp	18.50%	199	£99,614		18.50%	498	£166,853	£266,467
Admin	14%	176	£87,755		14%	439	£146,990	£234,745
Health	11.50%	133	£66,409		11.50%	332	£111,236	£177,645
Hospitality	9%	109	£54,551		9%	273	£91,372	£145,923
Other	26%	85	£42,692		26%	213	£71,509	£114,200
		247	£123,332			617	£206,580	£329,912

14. Other costs

14.1 We foresee no further implementation costs for customers when the fee is increased other than those described in the original work permit R.I.A when charging was introduced in April 2003. These costs are detailed below:

14.2 Apart from the leave to remain charge there may be a very marginal increase in the time taken to complete the application form (filling in payment details), although we consider this will only amount to a few minutes per application. For example, a small business paying for 4 applications per year based on a figure of 5 minutes per application will result in an additional 20 minutes in administration costs. A large company paying for on average 2000 applications per year would mean an additional 167 hours in administration costs. (The rest of the application would be completed by the individual)

14.3 Based on a typical salary of £20 per hour for an administrative assistant to undertake such tasks, the compliance costs of paying for one application (time taken 5 minutes) is approximately £1.66.

14.4 We are using payment systems which are well established, simple to administer, already used by businesses and which can be accessed with no additional cost or effort. These are payments by cheque and credit or debit cards.

15. Competition Assessment

15.1 The Office of Fair Trading (OFT) have commented that the cost of this regulation applies equally to all employers wishing to recruit staff who are subject to immigration control. The impact is therefore likely to be proportional to the size of the company as measured by annual turnover. As well as turnover, other factors could also be considered. These include:

- Small businesses where the staff costs represent a significant proportion of turnover;
- Businesses which are seeking short extensions for LTR (IED) applications rather than seeking extensions for longer periods of stay;
- Those companies employing a large proportion of workers subject to immigration control;
- Companies offering specialist services (e.g. IT) employing a relatively low number of people in relation to turnover;

15.2 However, the consultation responses provided no evidence that a particular market faced an uneven impact. In addition the cost of the regulation will be very small in relation to the overall costs of recruitment, relocation and employment. The employer may even decide to opt out of paying the fee altogether. We therefore expect that the regulation will have no adverse effects on competition.

16. Enforcement

16.1 IND will not consider applications for leave to remain unless the prescribed fee accompanies the applications

16.2 Systems are in place through the Compliance and Validation Team and Immigration Services to ensure that those employers and individuals who do not comply with the criteria are identified and tackled. This could eventually lead to removal.

17. Summary and Recommendation

17.1 Five options were initially identified:

- Do Nothing
- Recover the administrative costs only
- Recover the administrative and appeal costs only
- Recover the administrative, appeal and partial enforcement costs only
- Recover the administrative, appeal and full enforcement costs only

17.2 Following the consultation exercise, it is clear that the majority of respondents understand and accept the need to charge. However, in view of the benefits to the UK as a whole do not accept that the costs of enforcement should be borne by them alone and wish to see a clear link between the fee charged, value for money and an efficient and timely service.

17.3 Therefore, in order to ensure an effective, robust system whilst identifying and dealing with abuse as well as provide an efficient system to customers an amended Option 3 will be implemented. The cost of this will be £335 and will recover the majority of the administrative and appeal costs. This will enable IND to recover as much of the administrative and appeals costs and lessen the burden on business. The additional cost burden to all business if Option 3 is adopted will be £5.28m and the overall cost burden to all business will be £7.71m.

17.4 By adopting this option, we have responded to customers concerns that enforcement costs are borne by the taxpayer whilst preserving the principle that those who benefit from the service pay the majority of the costs of administering it.

18. Monitoring & Review

18.1 In order to evaluate the rise in fees we are proposing that we would formally review with customers the effect (if any) the new revised fees has had on their business and whether any of the unintended consequences have materialised. It is proposed that such a review would be carried out within 2 years of the fee being implemented.

18.2 We are also proposing on a continuous basis, through systems we already have in place, to gather feedback on the revised fees through regular meetings with priority stakeholders and representational organisations. IND

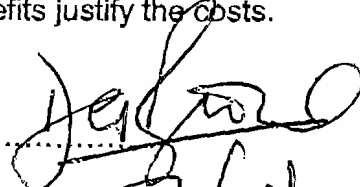
also monitors, on a monthly basis, the number of applications made against forecast volumes.

19. Declaration

19.1 I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Signed.....

Date.....


9 February 2005

Contact point

Denise Mellor
Managed Migration
Home Office
Work Permits (UK)
Foundry House
3 Millsands
Sheffield
S3 8NH

Tel no: 0114 279 3418

Fax no: 0114 279 3430

E-mail: denise.mellor@ind.homeoffice.gsi.gov.uk

Annex A

List of representative bodies who responded to the consultation

Immigration Law Practitioners Association (ILPA)

The Law Society

Orton Park Recruitment

T &S Immigration

British Medical Association

Circomedia

Zippos Circus

University of Manchester International Development

Association of Circus Proprietors