

Impact Assessment, The Home Office

Title: Hong Kong British National (Overseas) Visa

IA No: HO0381

RPC Reference No: N/A

Other departments or agencies:

Foreign, Commonwealth and Development Office (FCDO)

Date: 22 October 2020

Stage: FINAL

Intervention: Domestic

Measure: Secondary legislation

Enquiries:

hongkongbnovisa@homeoffice.gov.uk

RPC Opinion: N/A

Business Impact Target: Not a regulatory provision

Cost of Preferred (or more likely) Option (in 2020/21 prices)

Net Present Social Value NPSV (£m)	2,649	Business Net Present Value BNPV (£m)	-1	Net cost to business per year EANDCB (£m)	0.2
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What is the problem under consideration? Why is government intervention necessary?

The UK Government's decision to introduce a new Hong Kong British Nationals (Overseas) (BN(O) citizens) Route follows the imposition by the Chinese Government of a national security law on Hong Kong that restricts the rights and freedoms of the people of Hong Kong and constitutes a clear and serious breach of the Sino-British Joint Declaration. The UK is creating a new bespoke immigration route for BN(O) citizens from Hong Kong, reflecting the unique and unprecedented circumstances in Hong Kong and the UK's historic and moral commitment to BN(O) citizens who elected to retain their ties with the UK through obtaining BN(O) status.

What are the policy objectives and the intended effects?

The UK Government will allow BN(O) citizens the opportunity to apply for a visa to come to the UK to live, work and study; and subsequently apply for settlement and British citizenship if they wish.

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

Option 1: Do Nothing. Make no changes to existing legislation or rules. No bespoke route for those with BN(O) status from Hong Kong who wish to migrate to the UK.

Option 2: Implement the Hong Kong BN(O) Visa in the immigration rules. A new immigration route for BN(O) citizens, their dependants and adult children born on or after 1 July 1997 wishing to migrate from Hong Kong is introduced.

Option 2 is the Government's preferred option as it best meets policy objectives.

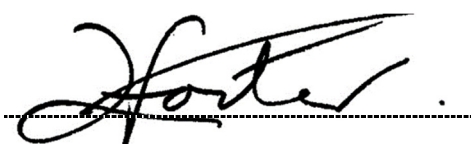
Main assumptions/sensitivities and economic/analytical risks	Discount rate (%)	3.5
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All estimates should be seen as purely indicative. Estimating the volume of BN(O) inflows is challenging due to the wide range of drivers which themselves can be inherently uncertain. Not all potential impacts have been fully quantified and included in the Net Present Social Value (NPSV) of this policy and where they have, they are subject to significant uncertainty. Where possible, sensitivity analysis has been undertaken to highlight specific areas uncertainty, and the impact of it on the NPSV presented. The analysis does not include any impact of Covid-19.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 10/2025

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:



Date:

21 October 2020

Summary: Analysis & Evidence

Policy Option 1

Description: Hong Kong British National (Overseas) Visa

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2020/21	PV Base	2020/21	Appraisal	5	Transition	1
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	2,358	High:	2,939	Mid-point:	2,649	Best BNPV	-1	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	0	3,687	3,687	817	0
High	3	4,608	4,611	1,022	3
Mid-point	1	4,147	4,148	920	1

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

The identified costs, PV over five years, of the Hong Kong British National (Overseas) Visa are:

- 1) **UK Exchequer:** Greater public service provision, between **£3,609** and **£4,511 million** with a mid-point estimate of **£4,060 million**
- 2) **Processing costs:** Home Office cost of processing more applications, including third-party IHS processing costs, between **£77** and **£97 million** with a mid-point estimate of **£87 million**

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

This IA aims to monetise all costs where possible, however there may be some costs which have not been able to be monetised. For instance, any potential impact on employment opportunities for UK residents and any behavioural response to fees and the IHS.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	0	6,045	6,045	1,337	0
High	0	7,550	7,550	1,670	0
Mid-point	0	6,798	6,798	1,504	0

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

The identified benefits, PV over five years, of the Hong Kong British National (Overseas) Visa are:

- 1) **UK Exchequer:** Additional tax revenue, between **£5,342** and **£6,671 million** with a mid-point estimate of **£6,007 million**
- 2) **Additional IHS revenue:** Between **£634** and **£792 million** with a mid-point of **£713 million**
- 3) **Additional fee revenue:** Between **£69** and **£86 million** with a mid-point of **£78 million**

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

The monetised benefits of migrant spending modelled in this IA covers the proportion of spending that accrues to the Government. There may be wider indirect benefits, including to businesses that are not monetised but are considered qualitatively.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:										
Cost, £m	0.2	Benefit, £m	0	Net, £m	-0.2					
Score for Business Impact Target (qualifying provisions only) £m:					N/A					
Is this measure likely to impact on trade and investment?					N/A					
Are any of these organisations in scope?			Micro	N	Small	N	Medium	N	Large	N
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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Evidence Base (for summary sheets)

A. Strategic overview

A.1 Background

1. British Nationals (Overseas) status is a form of British nationality created for people from Hong Kong so they could retain a form of British nationality and connection to the UK after the handover to China in 1997 in line with the Sino-British Joint Declaration. Anyone who was a British Dependent Territories citizen through a connection with Hong Kong was able to apply to register as a BN(O) and apply for a BN(O) passport. People could apply for BN(O) status for a period of 10 years prior to the handover to China on 1st July 1997.
2. BN(O) status had to be applied for before 30 June 1997 and is valid for life but cannot be passed on to spouses or children. The status is closed to applications, and so no-one else can obtain a BN(O) status if they are not already entitled to one. Under the policy announced by the Home Secretary on 22 July, an estimated 5.4 million Hong Kong residents will be eligible to move to the UK and follow a pathway to UK citizenship. This consists of: 2.9 million BN(O)s, 2.3 million BN(O) dependants and the extension of the policy to 187,000 18-23-year olds not deemed BN(O) dependants but have at least one BN(O) parent. Examination of Home Office systems shows that currently there are over 400,000 'live' BN(O) passports in circulation¹.
3. BN(O) citizens do not have right of abode in the UK and are therefore subject to immigration control. As a result, they require leave to enter or remain in the UK, unless they are exempt from immigration control under Section 8 of the Immigration Act 1971 ("the 1971 Act").
4. On 30 June 2020 China passed its controversial new National Security law that is a direct breach of the Sino-British Joint Declaration between the UK and China and restricts the rights and freedoms of the people of Hong Kong. In response, the UK Government is changing the rights attached to BN(O) status and is introducing a bespoke immigration route for BN(O) citizens and their dependants that will open for applications from early 2021. This reflects the unique and unprecedented circumstances in Hong Kong and the UK's historic and moral commitment to BN(O) citizens.

A.2 Groups affected

5. BN(O) citizens with their immediate family dependants, comprising spouse or partner and children aged under 18 years, will be eligible to apply for the Hong Kong BN(O) Visa. Dependants need not have BN(O) status themselves to be eligible. Dependent grandparents or other relatives will not be eligible if they do not hold BNO status in their own right.
6. There will be cases where the dependent children of a BN(O) citizen will not normally be eligible because they were born after 1997 (so are not BN(O) citizens) and are over 18 years so would not ordinarily be considered as a dependant in the UK's immigration system. The Government does not wish to split family units where there are dependent children over the age of 18 years, given the particular challenges linked to the timing of obtaining BN(O) status.
7. Therefore, an adult child born on or after the 1 July 1997 is eligible, provided they form part of the same household as the BN(O), acknowledging the intention of the parent to maintain ties with the UK through their BN(O) registration. Additionally, where an eligible individual in this cohort has dependants of their own (that is, spouse/partner or child), those dependants may also be eligible where they are all part of the same household (that is, they all normally live together as part of the same, multi-generational household).

¹ As of 28 August 2020.

8. In exceptional circumstances of high dependency, other adult dependants of a BN(O) citizen applying for the visa may also be eligible at the UK Government's discretion, considered on a case by case basis.

B. Rationale for intervention

9. The UK Government's decision to introduce a new Hong Kong BN(O) Visa follows the imposition by the Chinese Government of a national security law on Hong Kong. This legislation and its strict implementation restricts the rights and freedoms of the people of Hong Kong, constitutes a clear and serious breach of the Sino-British Joint Declaration and undermines the "one country, two systems" framework.
10. The BN(O) status recognised the special and enduring ties the UK has with those citizens as a result of the UK's role in Hong Kong before 1997.

C. Policy objective

11. The establishment of this route, which is set to open from early 2021, reflects the Government's commitment to honouring the UK's historic and moral obligations to BN(O)s in Hong Kong.
12. Now that China, through its actions, has changed the circumstances that BN(O) citizens find themselves in, the UK Government is proposing a change to the entitlements which are attached to BN(O) status. These have been significantly improved, to reassure BN(O) citizens that they have options to live in the UK if they decide that is an appropriate choice for them. BN(O) citizens in Hong Kong are in a unique position, hence a policy which is specific to them in the wider immigration system. It will not set a precedent. It is a proportionate response to the situation which has arisen. The UK is entitled to decide on the rights attaching to BN(O) status which it has previously conferred.

D. Options considered and implementation

Option 0: Do-nothing

13. Under the 'do-nothing' option, the IA assumes current arrangements would remain in place and as such the 'do-nothing' option is equivalent to the current arrangements whereby there is no bespoke route for those with BN(O) status from Hong Kong to apply to migrate to the UK.
14. Currently BN(O) citizens can hold a BN(O) passport and get consular assistance and protection from UK diplomatic posts in a third country (not in Hong Kong, Macao or mainland China). They are also entitled to visit the UK for up to six months at a time, without a visa. They are subject to immigration controls and do not have a right of abode in the UK.
15. Individuals from Hong Kong will also be able to apply to come to the UK under the terms of the UK's new Points Based System, which will enable individuals to come to the UK in a wider range of professions and at a lower general salary threshold than in the past. The youth mobility scheme is also open to people in Hong Kong aged between 18-30 years, with 1,000 places currently available each year.

Option 1: Preferred option

16. Under Option 1, the new Hong Kong BN(O) Visa would be established. This would allow BN(O) citizens to reside and work or study in the UK, with a pathway to settlement (also known as permanent residence or indefinite leave to remain (ILR)) and then citizenship. For their part, BN(O) citizens wishing to come to the UK will be expected to be self-sufficient and to integrate and contribute to the betterment of UK society. **This is the Government's preferred option** as it best meets the Governments objectives.

E. Appraisal

17. The following section sets out the economic costs and benefits of the proposed implementation of Hong Kong BN(O) Visa. Due to the significant uncertainty over the volume and characteristics of those that may take up this visa, not all potential impacts have been fully quantified and included in the Net Present Social Value (NPSV) of this policy.

E.1 General assumptions and data

Objective function

18. 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. 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 who apply for naturalisation as British citizens.

Volumes

19. Under the policy announced by the Home Secretary on 23 July, an estimated 2.9 million Hong Kong residents will be eligible to move to the UK and follow a pathway to UK citizenship. Each may bring a number of adult and/or child dependants with them, which results in an estimate of up to 2.3 million dependants. There will be several complex push and pull factors which are likely to influence decisions to move to the UK, and the UK is one of a number of countries where they may choose to migrate.

20. Analysis by the Foreign, Commonwealth & Development Office (FCDO) considered both the proportion of BN(O)s who may want to leave Hong Kong and what proportion of those emigrating are likely to come to the UK. A series of indicative scenarios were produced for this assessment, driven by assumptions on these push and pull factors, and the propensity of different segments of the BN(O) population to emigrate. These estimates are subject to a very high degree of uncertainty due to a lack of data and the reliance on several assumptions.³

Different BN(O) cohorts

21. Although BN(O)s do not need a passport to hold the status, passport applications provide an indicator of interest in migration. Therefore, the BN(O) population has been split into two groups: those who have applied for BN(O) passports after the protests began in July 2019, and those who either don't hold a BN(O) passport or who applied for one before this point.

22. Prior to July 2019, there were 167,000 BN(O) passport holders out of the 2.9 million eligible BN(O)s. As of August 2020, there are 612,000 passport holders (including the over 400,000 live passports in circulation and applications in process but not yet processed). If the number of applications continue to rise at their current rate, the Home Office estimates that this number could

² "Analysis of the Impact of Migration", MAC, 2012

³ FCDO Economics Unit Internal Analysis

increase to 733,000 BN(O) passport holders by the end of 2020. This would represent between 445,000 and 566,000 new passport holders since the protests began.

Propensity to migrate out of Hong Kong

23. It has been assumed that those who applied for a BN(O) passport since the protests began have a higher propensity to migrate out of Hong Kong. For other BN(O)s, the assumptions are based on the overall level of migration using historical examples of migration. In each case, it is assumed that 48 per cent of migration over a five-year period happens in year 1 and the remaining flows taper down over the remaining four years, based on historical outwards migration data, including Hong Kong from 1997 to 2002 (five years after the handover).⁴
24. Table 1 sets out a range of estimates for both cohorts on a propensity to migrate out from Hong Kong to any destination. These scenarios intend to capture a large range of plausible outcomes. The more extreme scenarios – particularly at the high end – are intuitively less likely. However, there is insufficient evidence available to justify narrowing the range further.

Table 1: Outward migration estimates for eligible BN(O)s over 5 years

	Migration in Year 1 (%)	Migration over 5 Years (%)	Assumption
Recent passport holders			
Low	3	6	Based on a private poll in October 2019 on people preparing to migrate. ⁵
Central	24	50	A mid-point, assumes that a significant proportion of passport applicants do not intend to migrate, but are getting it as a safety net and intend to stay in Hong Kong.
High	48	100	Assumes everyone who has recently applied for a passport intends to migrate within five years.
Other BN(O)s			
Low	1.1	2.3	Migration from Hong Kong in 1990.
Central	1.5	3.2	Mid-point.
High	1.9	4.0	Migration from eastern Ukraine to the rest of the country since 2014, following the start of the conflict in Eastern Ukraine and the annexation of Crimea. ⁶

Source: Internal Foreign, Commonwealth and Development Office analysis, 2020.

Propensity to come to the UK

25. Table 2 sets out a range of estimates for both cohorts on a propensity of those who have migrated out from Hong Kong to migrate to the UK. In the central and high assumptions, it has been assumed that those who recently applied for a BN(O) passport are very likely to come to the UK, as it is not an essential document for most who can travel on a Hong Kong Special Administrative Region passport. For other BN(O)s, data from different surveys have been used to create scenarios for the proportion which might choose to come to the UK.
26. As with Table 1, these scenarios capture a large range of plausible outcomes. The more extreme scenarios – particularly at the high end – are intuitively less likely. However, there is insufficient evidence available to justify narrowing the range further.

⁴ FCDO Research Analysts.

⁵ Independent poll seen by FCDO, October 2019.

⁶ Internal FCDO Analysis.

Table 2: Propensity for BN(O) migrants to come to the UK, 2020.

	Proportion of migrants coming to the UK (%)	Assumption
Recent passport holders		
Low	6	Assumes no difference between recent passport holders and other BN(O)s.
Central	60	The mid-point scenario assumes the majority of BN(O) passport holders who migrate will come to the UK, but for some, the UK is not their first choice and the BN(O) passport acts as a safety net.
High	100	Assumes all recent passport holders who migrate come to the UK.
Other BN(O)s		
Low	6	Uses data from a 2019 Chinese Academic Study. ⁷
Central	13	Mid-point.
High	20	2019 survey by an immigration consultancy suggests 23% would migrate to Europe. This assumption is that the majority of this is to the UK. ⁸

Source: Internal Foreign, Commonwealth and Development Office (FCDO) analysis, 2020.

Indicative combined scenarios

27. The assumptions in Tables 1 and 2 can be combined with estimates of the number of recent passport holders to produce indicative volume scenarios for the volume of BN(O)s who choose to migrate to the UK over 5 years.
28. Two sets of plausible ranges have been constructed (Tables 3 and 4) using different assumptions on the number of recent passport holders. Scenario 1 (Table 3) considers the current volume of BN(O)s holding passports while Scenario 2 (Table 4) includes Home Office projections on future application volumes for BN(O) passports. The more extreme volumes in either scenario - particularly at the high end – are intuitively less likely.
29. From July 2020, BN(O) citizens and their dependants have been eligible to be granted six months' Leave Outside the Rules at the border to the UK. From 15 July to 14 October 2020, a total of 2116 BN(O) citizens and their dependants have been granted Leave Outside the Rules at the border.⁹ This data is not considered to be a reliable proxy for the number that may apply for the Hong Kong BN(O) Visa when it opens in January. However, it does suggest that the number of BN(O) citizens seeking to come to the UK in the short term is unlikely to be at the high end of the scale.
30. The volumes set out in Tables 3 and 4 also do not reflect the impact Covid-19 has had, and may have in the future, on the volume of applicants coming to the UK. As such, they must be considered in the context of this even greater uncertainty and may skew the figures towards the lower end of the range.

Scenario 1 – Current BN(O) passport applications

31. Scenario 1 considers estimates based on the current 612,000 of the 2.9 million eligible BN(O)s holding passports with 445,000 being considered as recent passport holders. As an example, in this scenario, the central assumption would be that for the 445,000 recent passport holders, 24 per cent choose to migrate out of Hong Kong in the first year, of which 60 per cent choose to come to the UK. For the remaining 2.45 million eligible BN(O)s, 1.5 per cent choose to migrate out of Hong Kong in the first year and 13 per cent of those choose to come to the UK. Together, this represents 68,400 main applicants in the first year.¹⁰

⁷ "Survey Findings on Views on Emigration from Hong Kong" Table 3, Communications and Public Relations Office, 2019

⁸ 2019 Immigration Consultancy Survey

⁹ Provisional internal Home Office data

¹⁰ Figures may not sum perfectly as a result of rounding

32. Following this approach over 5 years, including for dependants, the mid-range modelling using the central assumptions above suggests around 257,000 BN(O)s and their dependants may migrate to the UK over a five-year period.

Table 3: Estimated visa applications volumes (current passport applications), 2021-25.

Scenario 1	Applications in Year 1 (2021)	Applications in Year 2 (2022)	Applications in Year 3 (2023)	Applications in Year 4 (2024)	Applications in Year 5 (2025)	Total Applications (2021-2025)
Lowest						
Main Applicants	2,400	1,100	600	500	400	5,000
Dependants	1,900	900	500	400	400	4,000
Total	4,300	1,900	1,100	900	800	9,000
Central						
Main Applicants	68,400	30,700	17,100	14,300	13,000	143,500
Dependants	54,200	24,300	13,500	11,400	10,300	113,700
Total	122,600	55,000	30,600	25,700	23,200	257,200
Highest						
Main Applicants	221,300	99,400	55,200	46,400	42,000	464,300
Dependants	175,500	78,800	43,800	36,800	33,300	368,200
Total	396,800	178,200	99,000	83,200	75,300	832,500

Source: FCDO analysis. Figures may not sum due to rounding. Rounded to nearest 100, 2020.

Scenario 2 – Forecast BN(O) passport applications

33. A second scenario considers estimates which includes Home Office estimates on future application volumes for BN(O) passports if the number of BN(O) passport applications continues to increase at its current trend to end-2020. In this case 733,000 of the 2.9 million eligible BN(O)s will hold passports with 566,000 being considered as recent passport holders. Following the same approach as Scenario 1, the mid-range estimate increases to just under 322,000 BN(O)s over a five-year period.

Table 4: Estimated visa applications volumes (including forecast passport applications)

Scenario	Applications in Year 1 (2021)	Applications in Year 2 (2022)	Applications in Year 3 (2023)	Applications in Year 4 (2024)	Applications in Year 5 (2025)	Total Applications (2021-2025)
Lowest						
Main Applicants	2,500	1,100	600	500	500	5,300
Dependants	2,000	900	500	400	400	4,100
Total	4,500	2,000	1,100	900	800	9,400
Central						
Main Applicants	85,500	38,400	21,300	17,900	16,200	179,300
Dependants	67,800	30,500	16,900	14,200	12,900	142,300
Total	153,300	68,900	38,300	32,100	29,100	321,600
Highest						
Main Applicants	278,600	125,200	69,500	58,400	52,900	584,600
Dependants	220,900	99,200	55,100	46,300	41,900	463,500
Total	499,500	224,400	124,700	104,700	94,800	1,048,100

Source: FCDO analysis. Rounded to nearest 100, 2020.

34. To generate indicative volume estimates that reflect the high level of uncertainty in the potential number of visa applications and the intuitively less likely volumes at the extreme of either range, this IA considers the central case in Scenario 1 as the low estimate, and the central case in Scenario 2 as the high estimate, creating a range of between 257,000 and 322,000 total applications.

35. However, to highlight the degree of uncertainty involved, and to reflect the need for operational teams to prepare for operational delivery uncertainty, additional sensitivity analysis is performed using the lowest volume estimates in Scenario 1 and the highest volume estimates from Scenario 2 creating a plausible, but more unlikely range of between 9,000 and 1,050,000. This is not used for the majority of the IA but can be found in the sensitivity section G.2.

18 to 23-year olds

36. The analysis above only considers those eligible either as a main BN(O) applicant, or as a dependant of a BN(O), either as a child aged under 18 years or a partner. In addition, the adult children of BN(O)s born after 1 July 1997 who would have been unable to register for BN(O) status (the '18-23 years cohort') will also be eligible to apply, provided they form part of the same household as the BN(O).

37. Data from the Hong Kong census estimates that there were 277,000 18 to 23-year olds while 187,000 of these (67%) are assumed to have at least one parent who is a BN(O). This is based on the proportion of BN(O)s in the BN(O) eligible population (that is, those over 23 years old) and assumes all of these form part of the same household. Given this cohort is unable to apply for a BN(O) passport, there is no indication of interest in migration like there is for the main cohort above.

38. However, to reflect the fact that young people are more likely to migrate, the assumptions on outward migration of other BN(O)s have been adjusted as in Table 5. The same pull factors are used as for the wider BN(O) population.

Table 5: Propensity for BN(O) migrants aged 18 to 23-year olds to come to the UK

	Migration in Year 1 (%)	Migration over 5 Years (%)	Assumption
18-23 Cohort			
Low	1.7	3.5	The BN(O) population as a whole multiplied by 1.5, based on a 2017 survey finding that Hong Kongers between the ages of 18 and 30 were 1.5 times more likely to migrate than the population as a whole.
Central	3.8	7.9	Mid-point
High	6.0	12.5	Based on a private poll in October 2019 on people preparing to migrate ¹¹ .

Source: Internal analysis FCDO, 2020.

39. As this cohort represents a relatively small group of people, the estimates are also small compared to the main cohort above. The central case suggests 800 18 to 23-year olds migrate over five years, with a range of between 300 and 1,500. Due to the relatively small range, this IA uses the central assumption of 800 applicants in both the lower and higher scenarios, with the range of between 300 and 1,500 included as part of the sensitivity in section G.2.
40. Where an eligible adult child born on or after the 1 July 1997 has dependants of their own (that is, spouse/partner or child), those dependants may also be eligible where they are all part of the same household as the BN(O) parent/grandparent. This cohort is likely to be an even smaller group of people due to the age of adult children born on or after 1 July 1997. Given the degree of uncertainty of this main cohort and the size of the potential dependant cohort, the volume of additional dependants has not been included in this assessment.

Overall volumes

41. Based on the above, this IA will consider two core scenarios for the number of potential applications over five years with additional scenarios included as sensitivities in section G.2:
- Low Scenario - based on the central scenario for current passport applications: **258,000 total applicants** (143,500 main applicants, 113,700 dependants and 800 18 to 23-year olds). Of which 123,000 are expected to apply in Year 1.
 - High Scenario - based on the central scenario for forecast passport applications: **322,400 total applicants** (179,300 main applicants, 142,300 dependants and 800 18 to 23-year olds). Of which 153,700 are expected to apply in Year 1.
42. In order to produce a central estimate for the purposes of this IA, a third scenario representing the mid-point between the “High” and “Low” scenarios has been used. As both the low and high scenarios are equally plausible estimates, this scenario represents only a mid-point rather than a “best” estimate and is not provided directly from the FCDO analysis above.
- A calculated mid-point between the two scenarios: **290,200 total applicants** (161,400 main applicants, 128,000 dependants and 800 18 to 23-year olds). Of which 138,300 are expected to apply in Year 1.

Foreign policy survey

43. Prior to publication of this IA, Survey Sampling International conducted a survey of 890 Hong Kong citizens on behalf of Foreign Policy magazine on their attitudes towards leaving Hong Kong, and their preferred destination.¹² This data is purely indicative but was applied to the eligible BN(O)

¹¹ Independent poll seen by FCDO, October 2019.

¹² “Hong Kongers Say Taiwan Is Their First Choice as Exile Looms”, Foreign Policy, 2020

population in paragraphs 19 and 36, regardless of the number holding BN(O) passports as an alternate way of estimating the potential inflows to the UK.

44. The survey suggests that around 50 per cent of Hong Kongers are seriously considering emigrating from Hong Kong, and that of those considering emigration, 10 per cent had the UK as their first choice of destination. Applying these assumptions to the eligible population, including dependants and 18-23-year olds, would equate to an inflow of 269,000 over five years
45. Given that some Hong Kongers may be unable to get their “first choice”, as framed in the survey, of destination and instead come to the UK, a further assumption that 15 per cent come to the UK instead of 10 per cent produces a higher estimate of 404,000 over five years.
46. Given the similarity between the estimates of the two approaches, this IA will continue to use the range set out in the **Overall volumes** section. However, as this analysis has a larger upper estimate, it adds extra importance to the sensitivity analysis in section G.2 which considers a range of between 9,000 and 1,050,000.

Demographics and intentions

47. It is difficult to estimate the demographics of BN(O)s coming into the UK. In particular, the age and proportion who intend to work in the UK are incredibly uncertain.
48. For main applicants, it is anticipated that most BN(O)s will come to the UK with the intention to work given the entitlements and conditions of the immigration route: BN(O)s will have the right to work in the UK in almost any capacity as an employed or self-employed person. BN(O)s must also prove that they are able to support themselves through the duration of their visa, and intention to work is the most common means to do so.
49. While dependants also have the right to work in the UK, it is anticipated that fewer will do so, either as they are children, and so not of working age, or because they are a partner or spouse supported by the main applicant.
50. The lack of evidence on the demographics and intentions of the BN(O) cohort and their dependants means that this IA has made a series of assumptions based on the age demographics of the Hong Kong population as a whole, and the average employment rates within the UK. These are used to estimate an illustrative net fiscal impact of this cohort, and therefore reflects a large degree of uncertainty.
51. This analysis, and the assumptions made for main applicants and dependants can be found in sections E.2.2 and E.2.5. Additional sensitivity analysis on these fiscal assumptions as well as an assessment of the fiscal impact and impact on tuition fee revenue if some of the cohort choose to study instead of work while in the UK can be found in section G.2.

Length of stay

52. There will be two variants of the BN(O) visa available. While the two are identical in terms of eligibility and entitlements, they differ in terms of duration. The first is valid for two and a half years, with an option to extend for a further two and a half years, while the second is valid for five years up-front.
53. For the purpose of this IA, it has been assumed that 80 per cent of applicants will apply for the 30-month visa and of those, 90 per cent will extend for a further two and a half years. The remaining 20 per cent of first-time applicants are assumed to apply for the full 5-year visa up-front. This is on the basis that, far lower volumes on the five-year route are expected given this will require upfront payment of five years of IHS alongside the fee. Many may also choose a shorter period in order to decide whether the UK is an appropriate choice for them.
54. These assumptions are purely illustrative and to reflect the uncertainty, additional sensitivity analysis on the proportion who apply for the five-year visa in the first instance, and on the proportion of applicants for the 30-month visa who extend has been performed in section G.2.

Fee level and Immigration Health Surcharge (IHS)

Fees

55. The Home Office has set the level of fee for this route separately for the 30-month and the five-year products. The 30-month product, and subsequent 30-month extension, are set at £180 while the five-year product is set at £250. The fees are based on standard methodology for calculating unit costs, and take account of the benefits to successful applicants, leading to a higher cost for the five-year product. The relatively low fee reflects the unique and unprecedented circumstances for BN(O)s in Hong Kong and the Government's commitments through the 1984 Sino-British Joint Declaration.
56. As the policy is scheduled to be implemented in early 2021, this IA applies this visa fee throughout the appraisal period. This should not however be interpreted as an indication of future visa fee levels beyond 2021, as visa fees will be set year-on-year in future Fee Regulations.

Immigration Health Surcharge

57. The Immigration (Health Charge) Order 2015 requires that 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, make a direct contribution to the NHS via payment of an immigration health charge (often referred to as the immigration health surcharge or IHS). The total amount surcharge payers are liable for over the duration of their visa is paid upfront as part of the visa application, although unsuccessful applications receive a refund¹³.
58. Since 2018, the rate has been set at £400 per person per year (£300 for students, their dependants and Youth Mobility Scheme applicants). On 21 July 2020, The Immigration (Health Charge) (Amendment) Order 2020 set out that the surcharge would increase to a level that broadly reflects the full cost of NHS services provided to those that pay it to ensure the long-term sustainability of the NHS. The IA for the Order sets out further detail about the rationale for the level of the increased surcharge.¹⁴
59. As this route will be subject to pay the IHS, this IA models the increased surcharge level of £624 per person per year with a discounted rate of £470 for all children under the age of 18 years at the point of application.
60. According to the 2016 Hong Kong census, 16 per cent of the population are aged 19 years and under.¹⁵ Applying this proportion to the volume estimates above produces an estimate of the number of applicants eligible for the discounted IHS rate. For the lower scenario, this is equivalent to 30,000 child dependants and for the higher scenario this is 44,000 child dependants.

Appraisal period

61. The estimates presented in this IA model the impact of this new route for five years. The IA therefore covers the period from 2021 to 2025. The high degree of uncertainty over the volume and characteristics of those who may apply for the route would undermine an appraisal period of longer than five years.
62. However, this should not however be interpreted as an indication of future policy, including the level of visa fees beyond 2021, as these will be set year on year in future Fee Regulations.

E.2 Appraisal

Behavioural response to fees

¹³ ["Pay for UK healthcare as part of your immigration application", GOV.UK](#)

¹⁴ ["Updating the Immigration Health Surcharge", Impact Assessment, 2020](#)

¹⁵ ["Population Estimates", Census and Statistics Department, 2016](#)

63. The imposition of fees and the IHS on this cohort could deter some potential migrants from applying to enter the UK. While it is difficult to isolate the impact of any one particular factor driving visa demand, historical evidence from visa applications does not suggest any significant change in applications resulting from increases in prices.
64. In the past, the Home Office has used a methodology to estimate the impact fees on application volumes. This methodology has been used to estimate the impact of imposing fees on future EU inflows from early 2021. The analysis treats the fee as an increase in the cost of moving to the UK and estimates the effect that this increase may have on volumes of visa applications by applying estimates of the responsiveness of the derived demand for visa products resulting from the value associated with coming to the UK to work or study, to changes in fees (price elasticity of demand for visa products).¹⁶
65. However, the impact of such a behavioural response following this methodology is small. In the IAs supporting the Skilled Worker and Student routes, the analysis found that the imposition of fees and the IHS on future EU inflows reduced those potential inflows by between 1 and 5 per cent. If a similar proportion of applicants were deterred from applying for the BN(O) route, this would represent between 3,000 and 15,000 applicants.
66. Given the degree of uncertainty in the volume estimates, the unique nature of this route without a specific job offer or commitment to study, and the way the methodology estimating volumes already incorporates an element of decision making of whether to come to the UK, this IA has not made any further adjustment to reflect the behavioural response to the fees on any of the subsequent analysis.

E.2.1. Direct costs

Set-up costs

67. The Home Office will incur additional resource and capital implementation costs of setting up this additional route. This route for BN(O)s is being delivered as part of a wider package of policy changes delivered in 2021, including a range of IT improvements and the opening up of current immigration routes such as the student and skilled worker routes to EEA nationals. As a result, it is difficult to identify the exact resource and capital implementation costs relating to this route alone.
68. Because the cost of delivering this route is relatively small in comparison to the wider changes to the immigration system, it is expected that the marginal additional cost will be negligible and so has not been quantified in this IA. This is believed to be a proportionate approach for this IA.

Familiarisation Costs

69. Under the new BN(O) route, there will be new immigration rules and guidance available for immigration solicitors and immigration advisors employed to advise BN(O)s on their application. These immigration solicitors and advisors will incur familiarisation costs on becoming acquainted with the rules and guidance. This section provides an indicative estimate for the length of guidance and of the familiarisation cost to businesses.
70. Although it is accepted that the familiarisation burden could fall upon many different occupations within an organisation, it is assumed that immigration solicitors and legal professionals in immigration advice organisations would be most likely to familiarise themselves with the new guidance. As of October 2020, the Law Societies of England & Wales, Scotland and Northern Ireland indicated there were a total of 2,820 immigration law firms¹⁷ while the Office of the Immigration Services Commissioner Annual Report indicates there were 1,615 immigration advice organisations.¹⁸

¹⁶ "A review of evidence relating to the elasticity of demand for visas in the UK", Home Office, 2020

¹⁷ Search for firms in the area of "immigration" completed on 05/10/2020 on www.lawsociety.org.uk for England & Wales, www.lawsoc-ni.org for Northern Ireland and www.lawscot.org.uk for Scotland

¹⁸ Annual Report and Accounts 2019/20, Office of the Immigration Services Commissioner, 2020

71. While the Office of the Immigration Services Commissioner Annual Report indicates there are just over 3,000 immigration advisors in the 1,615 immigration advice organisations, there is no comparable information for the number of immigration lawyers in the 2,820 immigration law firms. It can be assumed that between 1 and 10, with a central assumption of 5, lawyers in each immigration law firm familiarise themselves with the new rules and guidance. This is equivalent to between around 3,000 and 30,000 solicitors with a central estimate of 15,000.
72. 2019 ONS ASHE data¹⁹ estimates the hourly wage for solicitors at £23.74, uplifted to current prices and real productivity growth.²⁰ The ASHE data is not sufficiently granular to offer insight into the earnings of immigration advisors and so an hourly wage of £21.38 reflecting the upper end of an average salary of between £20,000 to £40,000 per year, uplifted to current prices and real productivity growth, is used instead.²¹ These hourly wage in current prices are then further uplifted by 22 per cent to account for non-wage costs including employers' social contributions.²²
73. Table 6 illustrates the estimated range of reading speed and comprehension for the new rules and guidance based on the length of the similar rules and guidance. It is assumed all individuals will be reading the guidance on a screen.

Table 6: Estimated reading speed for sponsorship guidance²³

Reader category	Guidance length (words)	Words per minute (screen reading)	Comprehension rate	Time taken to familiarise with guidance (minutes)
Average reader	30,000	200	60%	211
Good reader	30,000	300	80%	121
Excellent reader	30,000	700	85%	43

Source: Internal Home Office analysis, 2020.

74. Based on rules and guidance with a combined word count of around 30,000 words²⁴:
- At around £29 per hour (including non-wage costs) in 2020/21, the average familiarisation costs per solicitor in 2020/21 is estimated to be between £21 and £102 with a central estimate of £58.
 - At around £26 per hour (including non-wage costs) in 2020/21, the average familiarisation costs per legal professional in 2020/21 is estimated to be between £19 and £92 with a central estimate of £53.
75. In a low-cost scenario, assuming around 3,000 solicitors and 3,000 legal professionals familiarise themselves with the rules and guidance with an “excellent” reading speed, the total familiarisation costs are estimated at £100,000 (2020/21 prices, PV). In a high-cost scenario, assuming 30,000 solicitors and 3,000 legal professionals with an “average” reading speed, the total familiarisation costs are estimated at £3.2 million (2020/21 prices, PV).
76. In a central case, assuming 15,000 solicitors in immigration law firms and 3,000 legal professionals familiarise themselves with the guidance with a “good” reading speed, the total familiarisation costs are estimated at just under £1.0 million (2020/21 prices, PV).
- 77. On this basis, the familiarisation cost to business is estimated to be in the range of £100,000 to £3.2 million with a central estimate of £1 million (PV, 2020/21 prices) over the five-year appraisal period.**
78. As the length of rules and guidance in this example (30,000 words) is an estimate based on similar legislation, it is important to note that the magnitude of the familiarisation cost is linearly related to

¹⁹ ONS (2019) 'Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14', Table 14a.

²⁰ 2020/21 is the current price and real productivity growth level, inflating from 2019/20.

²¹ [National Careers Service, Gov.uk, accessed October 2020](https://www.nationalcareersservice.gov.uk)

²² [Hourly labour costs in euro, Eurostat, 2019](https://ec.europa.eu/eurostat)

²³ Reading speed calculated from <http://www.readingsoft.com/>.

²⁴ Wages, including non-wage costs, rounded from £28.97 and £26.08 respectively for readability

the length of guidance. For example, if the finalised rules and guidance were 33 per cent longer than this proxy (40,000 words), the familiarisation cost also rises by 33 per cent to £1.3 million in the central case.

79. It is also likely that these businesses will benefit from increased demand for services as a result of the new BN(O) route. It has not been possible to quantify these benefits in this IA.

Ongoing costs (private and public)

Home Office Processing Costs

80. The new visa applications for this route are expected to result in new ongoing administrative costs to the Home Office for processing the visa. The Home Office have estimated the unit cost of processing each individual visa application for this route at £170.
81. This cost to the Home Office is estimated by multiplying the expected number of visa applications set out in paragraphs 33 and 34 for each year of the appraisal period by this unit cost of processing a visa. Unit costs are assumed to stay flat in nominal terms over the appraisal period.
82. **On this basis, the cost to the Home Office is estimated to be in the range of £62 to £78 million with a mid-point estimate of £70 million (PV, 2020/21 prices) over the five-year appraisal period.**

Immigration Health Surcharge collection costs

83. The IHS is both collected via a third-party private company who charge a percentage of the value of surcharge income handled. The increase in the volume of surcharge revenue set out in section E2.4 **is expected to cost the Home Office between £15 and £19 million with a mid-point estimate of £17 million (PV, 2020/21 prices) over five years.**
84. While this results in an equivalent increase in revenue for the private company contracted to collect the IHS, any revenue used to cover the cost to the third-party private company in collecting this revenue represents a net social cost of the policy. Any excess profit the company generates from this revenue represents a transfer between the Home Office and the third-party private company. However, in the absence of data on the unit cost for the business in collecting IHS revenue in comparison to the fee they charge the Home Office, the entirety of the revenue is assumed to cover the cost to the business of collecting the revenue.

E.2.2. Indirect costs

Increase in public expenditure

85. The introduction of a new immigration route for BN(O)s may increase migration to the UK, which could therefore potentially lead to an increase in public service provision costs. Given that migration happens for a myriad of reasons, there is significant uncertainty about the number of BN(O)s who may migrate, as well as the characteristics of this cohort which will influence demand for public provision (age, employment status etc). The uncertainty of said characteristics therefore means the magnitude of potential increase in public expenditure to the UK Exchequer could differ from the estimates outlined.
86. This section uses a methodology similar to that used for the IA for The Immigration (Health Charge) (Amendment) Order 2020²⁵ to estimate the average public service provision cost of an additional migrant to the UK. This includes spending on healthcare, education and other public services. Given the uncertainty set out above, very high-level per head fiscal expenditure estimates have been calculated based on the population distribution of Hong Kong as a whole.

²⁵ [“Updating the Immigration Health Surcharge”, Impact Assessment, 2020](#)

87. The estimates below have been calculated under the ‘central’ methodology, as used in other Home Office fiscal analysis such as for the Immigration Health Surcharge and reflect the fact that this cohort have no recourse to public funds (NRPF)²⁶.
88. Table 7 sets out the fiscal spend estimate for two cohorts:
- BN(O) main applicants - A subset of the Hong Kong population, distributed according to Hong Kong census for those who are aged 24 years and older and thus eligible for a BN(O) passport.
 - “18 to 23 years” cohort – A subset of the Hong Kong population aged 18 to 23 years.
 - Dependant – Based on the characteristics of the entire Hong Kong population.

Table 7: Annual fiscal spend per head by migrant status, 2020/21 prices.

Category (2020/21 prices)	Estimated annual fiscal spend per head (£)
BN(O) Main Applicant	3,900
“18 to 23 years” cohort	2,800
Dependant	4,400

Source: Home Office analysis, 2020. Rounded to nearest 100. Assumes main applicants do not access state education as all will be over the age of 23 years.

89. These estimates are extremely uncertain, and largely reflect estimates for the UK population, without accounting for the specific circumstance of BN(O) nationals. As such, they should be treated as indicative high-level estimates. While additional sensitivity analysis on these assumptions is included in section G.2 it is possible that the true fiscal impact of this cohort is considerably different.
90. That said, the estimates of fiscal spend in Table 7 can be combined with estimates of additional visa application volumes in the central case in Tables 3 and 4 to provide an indicative range of the cost to the Exchequer of introducing this new immigration route. **The increase in expenditure on public services is estimated to lie in the range of between £3.6 and £4.5 billion with a mid-point estimate of £4.1 billion (PV, 2020/21 prices) over the five-year appraisal period.**

E.2.3. Unquantified costs

Employment opportunities for UK residents

91. The increase in the volume of migrants entering the UK could have an impact on the labour market by affecting the employment opportunities of UK residents depending on whether the additional migrants entering the country for employment reasons are substitutes or complements to the domestic labour market. In previous IAs, the Home Office has included an assessment of this displacement effect, but on lower skilled migrants. However, given that the latest evidence²⁷ suggests a high degree of uncertainty around the extent of displacement / replacement effects on low skilled workers, and the degree of uncertainty around the characteristics of the incoming BN(O)s, **this IA has not attempted to capture such effects as part of the central Net Present Social Value (NPSV) estimates.**

²⁶ “Updating the Immigration Health Surcharge”, Impact Assessment, 2020

²⁷ “EEA migration in the UK: Final report” MAC, 2018

Additional impacts on local authorities

92. The implementation of the Hong Kong BN(O) Visa may have an additional impact on local authorities (LAs) beyond the direct impact on public expenditure set out above. Any significant surge in arrivals of BN(O)s to the UK, particularly where they settled in relatively few areas, could lead to further, disproportionate costs for LAs which may be required to put in place contingency arrangements to meet the demand for services such as education, health care, housing and translation. In the central case, this burden on local authorities is not expected to be significant as BN(O)s will tend to be self-sufficient and will be seeking employment. However, if some are unable to find work and their financial provisions are exhausted, they will seek support from LAs.
93. The Home Office will consider these issues to determine if a New Burdens Assessment (NBA) needs to be carried out to assess the impact on LAs prior to the introduction of this policy in early 2021. **As such, this IA has not attempted to capture such effects as part of the Net Present Social Value (NPSV) estimates.**

E.2.4. Direct benefits

Ongoing benefits (private and public)

Increase in fee revenue

94. The volume of applicants for this route is expected to generate additional fee revenue for the Home Office based on the fee set out in section E.1 of £180 for a 30-month visa and subsequent renewal and £250 for a 5-year visa.
95. **The increase in revenue, is estimated to be between £69 and £86 million with a mid-point estimate of £78 million (PV, 2020/21 prices) over five years.**

Increase in IHS revenue

96. The volume of applicants for this route is also expected to generate an increase in surcharge revenue with each main applicant and adult dependant charged £624 for each year of their visa and child dependants charged £470 per year.
97. **The increase in revenue, is estimated to be between £643 and £792 million with a mid-point estimate of £713 million (PV, 2020/21 prices) over the five-year appraisal period.**

E.2.5. Indirect Benefits

Revenue for the Exchequer

98. An increase in the number of BN(O)s migrating to the UK may lead to additional fiscal contributions to the Exchequer through direct and indirect taxes. As with the level of public expenditure, there is significant uncertainty around the number and characteristics of BN(O)s who may opt to migrate to the UK.
99. This section adopts a similar approach to that taken for other Home Office fiscal analysis to estimate the yearly contribution to direct and indirect taxes (£) of an additional migrant to the UK for different types of migrant. This is used to provide indicative estimates of the benefit of additional migrants on the Exchequer. Annex 2 provides further details on how the estimates of fiscal benefits below are derived.
100. Table 8 sets out the fiscal revenue estimate of those in employment for two cohorts:
- BN(O) main applicants – A subset of the Hong Kong population, distributed according to Hong Kong census for those who are aged 24 years and older and thus eligible for a BN(O) passport. Upon migrating to the UK, they find employment.
 - “18 to 23 years” cohort – A subset of the Hong Kong population who are aged 18 to 23 years. Upon migrating to the UK, they find employment

- Dependant – Based on the characteristics of the whole Hong Kong population. An individual who accompanies a main applicant and also finds employment in the UK.

Table 8 Estimated annual contribution of those in employment to direct and indirect taxes (£) by migrant status, 2020.

Category (2020/21 prices)	Central (£)
BN(O) Main Applicant	12,800
“18-23” Cohort	12,800
Dependant	9,900

Source: Home Office analysis, 2020. Rounded to the nearest 100.

101. Similar to section E2.2, the estimates above have been calculated under the ‘central’ scenario, as used in other Home Office fiscal analyses. This method represents a ‘marginal’ approach to measuring the impact of migrant policy on the UK Exchequer and therefore excludes fiscal revenue components that are unlikely to vary according to the number of individuals moving to the UK.

102. Further assumptions are made to adjust the figures above to reflect the proportion of each cohort that are expected to be in employment (based off the latest available data for the position of the UK labour market), given the lack of data on the characteristics of the population:

- An adjustment for the proportion of each cohort that are of working age, using data from the Hong Kong census as a proxy (78% for main applicants, 70% for dependants and 100% for the “18-23” cohort).
- For main applicants, a second adjustment is made using the ONS estimate of the UK average employment rate of those of working age in the UK (76%).²⁸ For dependants, the proportion of households with at least two members aged 16 to 64 years, where all household members are in employment is used instead (60%)²⁹
- All main applicants that find work in the UK are assumed to earn the median earning for all workers in the UK.³⁰ An adjustment is then made to estimate the earnings of working dependants. It is assumed working dependants in the UK will earn 23 per cent less than their main applicant counterpart.³¹

103. As with the fiscal spend estimates above, these estimates are extremely uncertain, and largely reflect estimates for the UK population, without accounting for the specific circumstance of BN(O) nationals. As such, they should be treated as indicative high-level estimates. While additional sensitivity analysis on these assumptions is included in section G.2 it is possible that the true fiscal impact of this cohort is considerably different.

104. The estimated yearly contribution to direct and indirect taxes in the central case in Table 8 is combined with the estimated additional visa application volumes in Tables 3 and 4 to provide indicative estimates of the additional revenue for the Exchequer. On this basis, **the increase in revenue for the Exchequer is estimated to lie in the range of between £5.3 and £6.7 billion with a mid-point estimate of £6.0 billion (PV, 2020/21 prices) over the five-year appraisal period.**

²⁸ “Labour market overview, UK: August 2020”, Office for National Statistics, 2020

²⁹ “Working and workless households: all tables”, Office for National Statistics, 2020

³⁰ As reported in ASHE 2019, the median earnings were £24,897.

³¹ Adjustment coefficient for working dependants is based upon internal Home Office analysis of LFS April – June 2018, which found that, the difference in mean weekly earnings between EEA nationals who said their reason for migrating was for work and those who came to accompany/join.

E.2.6. Summary of results

105. The range of results for the high and low volume scenarios are summarised in Tables 9a,b and c. The policy is appraised over five years, beginning in Q4 2020/21 and ending in Q3 2025/26.

Table 9a: NPSV in £ million under the low-volume scenario, 2020/21 to 2025/26.

Low Scenario Present Values (2020/21 prices)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	NPSV
Benefits							
IHS Revenue	57	188	100	117	115	57	634
Fee Revenue	6	20	11	13	13	6	69
Benefit to UK Exchequer from additional tax revenue	188	807	1,052	1,149	1,211	935	5,342
Total benefits	250	1,015	1,163	1,279	1,339	998	6,045
Costs							
Home Office Processing Costs	-5	-17	-10	-12	-12	-6	-62
3 rd Party IHS Processing Costs	-1	-5	-2	-3	-3	-1	-15
Cost to UK Exchequer from greater public service provision	-127	-545	-710	-776	-818	-632	-3,609
Familiarisation Costs	-	-	-	-	-	-	-
Total costs	-133	-567	-723	-791	-833	-639	-3,687
Net benefit	117	448	441	488	506	359	2,358

Source: Home Office analysis, 2020. Figures may not sum due to rounding.

Table 9b: NPSV in £ million under the high-volume scenario, 2020/21 to 2025/26.

High Scenario Present Values (2020/21 prices)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	NPSV
Benefits							
IHS Revenue	71	236	125	146	144	71	792
Fee Revenue	8	25	13	16	16	8	86
Benefit to UK Exchequer from additional tax revenue	234	1,008	1,314	1,435	1,512	1,168	6,671
Total benefits	313	1,268	1,453	1,597	1,672	1,247	7,550
Costs							
Home Office Processing Costs	-7	-22	-12	-15	-15	-7	-78
3 rd Party IHS Processing Costs	-2	-6	-3	-4	-3	-2	-19
Cost to UK Exchequer from greater public service provision	-159	-681	-889	-970	-1,023	-790	-4,511
Familiarisation Costs	-3	-	-	-	-	-	-3
Total costs	-170	-709	-904	-989	-1,041	-799	-4,611
Net benefit	143	560	550	609	631	448	2,939

Source: Home Office analysis, 2020. Figures may not sum due to rounding.

Table 9c: NPSV in £ million under the mid-point scenario, 2020/21 to 2025/26.

Central Scenario Present Values (2020/21 prices)	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	NPSV
Benefits							
IHS Revenue	64	212	113	132	129	64	713
Fee Revenue	7	22	12	15	15	7	78
Benefit to UK Exchequer from additional tax revenue	211	907	1,183	1,292	1,361	1,051	6,007
Total benefits	281	1,142	1,308	1,438	1,505	1,123	6,798
Costs							
Home Office Processing Costs	-6	-20	-11	-14	-14	-7	-70
3 rd Party IHS Processing Costs	-2	-5	-3	-3	-3	-2	-17
Cost to UK Exchequer from greater public service provision	-143	-613	-800	-873	-921	-711	-4,060
Familiarisation Costs	-1	-	-	-	-	-	-1
Total costs	-151	-638	-813	-890	-937	-719	-4,148
Net benefit	130	504	495	548	568	404	2,649

Source: Home Office analysis, 2020. Figures may not sum due to rounding. These estimates are the mid-points of estimates in Tables 8a and 8b.

106. Under the indicative assumptions laid out in this IA, the estimated total costs range between **£3.7 and £4.6 billion with a mid-point estimate of £4.1 billion** while the benefits range between **£6.0 and £7.6 billion with a mid-point estimate of £6.8 billion**, resulting in an **estimated NPSV of between £2.4 and £2.9 billion with a mid-point estimate of £2.6 billion** (PV, 2020/21 prices) over five years.

F. Proportionality

107. The approach taken in this IA is considered proportionate given the considerable uncertainty around estimates, which is discussed throughout.

108. The best available data has been used along with sensible and proportionate assumptions. However, projected migration volumes are highly uncertain, and so even though reasonable ranges have been included, these should still only be treated as indicative. Where possible a sensible NPSV range has been produced, and where uncertainty is too great, reasonable scenario analysis and break-even analysis has been included. Analysis has been subject to proportionate analytical quality assurance.

G. Risks

G.1.1 Inflow volumes

109. The baseline volume estimates outlined in this IA are subject to significant uncertainty. This has been made clear throughout the IA and means that all results, including the main NPSV estimates, should be treated with caution.

G.1.2. Covid-19

110. The impact of Covid-19 on immigration to the UK remains uncertain. No adjustment has been made to volumes or the estimated impact of the policy as the potential impact of Covid-19 remains highly uncertain over the entirety of the appraisal period.

G.1.3. Fiscal assumptions

111. The fiscal estimates in this IA are based on the demographics of the whole population of Hong Kong. This may not be representative of the characteristics of BNOs who opt to migrate to the UK.
112. The approach taken in this IA is considered proportionate given the wide-ranging implications the ending of free movement may have on the UK, but there is still considerable uncertainty around estimates, which is discussed throughout. The best available data has been used along with sensible and proportionate assumption, some of which are taken from the published literature. A considerable effort has been devoted to this analysis but no more than that required given the scale of costs and benefits involved. In areas where there is a high degree of uncertainty, such as around behavioural responses the analysis has been tested with sensitivity analysis and illustrative scenarios to provide order of magnitude assessments of impact. Projected migration volumes are also highly uncertain, ranges have therefore been provided around central estimates. Analysis has been subject to proportionate analytical quality assurance. The resources devoted to the analysis is proportionate to the complexity of the analysis and the associated risks.

G.2. Sensitivity analysis

Volumes

113. This IA has used a range of estimates for the potential volume of BN(O)s and their dependants coming to the UK over five years of between 258,000 and 322,000. However, given the degree of uncertainty over these volumes, sensitivity analysis has been done to estimate how the NPSV of this policy would change given the more extreme volume assumptions set out in Tables 3 and 4.
114. Keeping all other assumptions constant:
115. **Sensitivity 1: Assuming the volume of BN(O) inflows is at the lowest level set out in Table 3 (5,000 Main Applicants and 4,000 Dependants over 5 years) and 300 18-23 year olds, the NPSV of the policy falls to £88 million.**
116. **Sensitivity 2: Assuming the volume of BN(O) inflows is at the highest level set out in Table 4 (585,000 Main Applicants and 464,000 Dependants over 5 years) and 1,500 18-23 year olds, the NPSV of the policy increases to £9.2 billion.**
117. However, there may be additional unquantified costs, should the volumes be as large at the upper estimate of over one million over five years, and over 500,000 in the first year. These may include additional costs to the Home Office in processing that volume of applications as well as any additional delay or infrastructure costs. These have not been quantified in this IA as it is not proportional to do so.

Length of stay

118. The proportion of applicants who will apply to each of the two variants of the BN(O) visa is inherently uncertain, as is the proportion of applicants who applied for the 30-month visa who subsequently choose to renew for a further 30-months.
119. In the central case, it has been assumed that 80 per cent of applicants will apply for the 30-month visa and of those, 90 per cent will extend for a further two and a half years. The remaining 20 per cent are assumed to apply for the full five-year visa up-front. However, an additional two illustrative scenarios have been considered to test how dependant the results in Section E are on these assumptions:
- Shorter overall length of stay (**Sensitivity 3**): In this scenario only 10 per cent of applicants apply for the five-year visa up-front and of the remaining 90 per cent who applied for the 30-month visa only 50 per cent renew for a further 30 months.
 - Longer overall length of stay (**Sensitivity 4**): In this scenario, 50 per cent of applicants apply for the five-year visa up-front and of the remaining 50 per cent who applied for the 30-month visa, 95 per cent renew for a further 30 months.

120. Keeping all other assumptions constant for the low and high scenarios:

121. **Sensitivity 3: Assuming a shorter overall length of stay, the NPSV of the policy falls to between £2.0 and £2.5 billion with a mid-point estimate of £2.2 billion.**

122. **Sensitivity 4: Assuming a longer overall length of stay, the NPSV of the policy increases to between £2.4 and £3.1 billion with a mid-point estimate of £2.7 billion.**

Fiscal assumptions

123. In the main body of the analysis the impact on the UK Exchequer has been estimated under a 'central' scenario. The central approach represents a 'marginal' approach to measuring the impact of migration policy on the exchequer and therefore 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, debt interest and EU transactions, 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. However, these assumptions are uncertain.

124. The true fiscal impact of such a migrant may differ, either positively or negatively. Two sensitivity scenarios are calculated in order to test the impact of the above assumptions regarding elements of revenue and spend are apportioned to migrants:

- **Sensitivity 5:** Purely average approach (high scenario)– includes all spend and revenue components
 - Public goods (such as research and development, defence) are allocated on a per capita basis.
 - Other indirect taxes such as capital gains tax, inheritance tax, the climate change levy and environmental levies are allocated to individuals based on estimated consumption patterns and income. This assumes the same relationship between earnings and tax contribution as indirect tax.
 - Other receipts such as gross operating surplus, interest and dividends and other income streams are allocated on a per capita basis.
- **Sensitivity 6:** Purely marginal approach (low scenario) – excludes all public goods and only includes taxes income tax, National Insurance contributions (NIC), council tax and indirect taxes.
 - All public goods (both pure and congestible) are excluded.
 - Business rates and corporation tax are excluded. This means only income tax, NIC, council tax and indirect taxes are included.

125. The sensitivities outlined above are applied to the high and low volume scenarios, with all other assumptions held constant, and result in the following potential outcomes:

126. **Sensitivity 5: Assuming the fiscal assumptions are at the high level above, the NPSV of the policy falls to between £400 and £500 million with a mid-point estimate of £450million.**

127. **Sensitivity 6: Assuming the fiscal assumptions are at the low level above, the NPSV of the policy rises to between £3.1 and £3.9 billion with a mid-point estimate of £3.5 billion.**

Students

128. As there is no requirement for a BN(O) to work in the UK, it is possible that some will come to study. Due to the age profile of those eligible for a BN(O) passport, it is unlikely that a majority will come to study, and so this has not been included in the central case.
129. However, as a sensitivity it is important to consider the potential that some of the inflows, in particular some dependants may come to study in the UK. This will have an impact on not only the fiscal revenue and spend of that migrant, but also on tuition fees received by UK universities. In the absence of any evidence to suggest what proportion of inflows come to study, an indicative scenario where 5 per cent of main applicants and 10 per cent of dependants study for three years through the duration of their visa has been included.
130. Keeping all other assumptions constant, the net impact of the option rises to between £3.0 and £3.8 billion with a mid-point estimate of £3.4 billion (PV, 2020/21 prices) over five years. This consists of between £780 and £980 million with a mid-point estimate of £880 million of tuition fee revenue and a reduction in the net fiscal contribution of these migrants of between £122 and £145 million with a mid-point estimate of £134 million.

H. Direct costs and benefits to business calculations

131. The introduction of a new route for BN(O)s is not expected to result in significant net costs for businesses. The **familiarisation costs** set out E.2.1 represent the only quantified **costs to business of between £100,000 and £3.2 million with a central estimate of £1 million**. While there is likely to be some benefit to business from additional demand for services, it has not been possible to quantify this in this IA.
132. As a result, **the BNPV for this policy is estimated at between -£100,000 and -£3.2 million with a mid-point estimate of -£1 million and the Estimated Annual Net Direct Cost to Business (EANDCB) over the five-year appraisal period is estimated at £0.2 million**.

I. Trade Impact

133. Trade between the UK and Hong Kong continues to grow strongly with exports increasing 17 per cent in the last year. Total trade in goods and services between the UK and Hong Kong was £24.1 billion in 2019. Over the last decade, UK total exports to Hong Kong have more than doubled, having increased from £6.2 billion in 2010 to £13.5 billion in 2019.
134. British businesses are optimistic about prospects in Hong Kong, and Hong Kong investors have not lost their appetite for the UK. The BN(O) route could attract more businesses, including SMEs, to the UK. More widely, it is possible that the BN(O) offer could affect the UK-China bilateral relationship on trade at a governmental level.

J. Monitoring and evaluation (PIR if necessary), enforcement principles.

135. The policy is expected to be implemented from early 2021, following changes to the immigration rules in October 2020
136. The impact will be monitored by the Home Office, with support, as appropriate, from other government departments. The Home Office will maintain open lines of communication with migrants via email and may also receive feedback as part of its normal visa issuing processes, through its public enquiry lines, and through formal correspondence with interested parties.
137. After five years there will be an evaluation of this policy.

Impact Assessment Checklist

Mandatory specific impact test - Statutory Equalities Duties	Complete
<p>Statutory Equalities Duties</p> <p>The public sector equality duty requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations in the course of developing policies and delivering services. [Equality Duty Toolkit]</p> <p>An EIA has been completed for the new BN(O) visa route.</p> <p>Direct discrimination was identified on the basis of race and age, with the main conclusions summarised below:</p> <ul style="list-style-type: none"> • There is direct discrimination on the basis of race (nationality). By creating a bespoke route that is more favourable than other immigration routes, both in terms of eligibility requirements, fee levels, and what the route entitles a person to, the Home Office will be treating BN(O)s and their family dependants more favourably than other nationalities, including other types of British nationality. • The Equality Act 2010 permits direct discrimination on the basis of nationality etc. in relation to the exercise of functions by ministers or other authorised persons under the Immigration Acts. The Government have nevertheless considered the justification for that discrimination. It considers that the creation of the immigration route and the favouring of BN(O)s and their dependants is justified because of the unique and unprecedented circumstances affecting BN(O)s in Hong Kong and the UK's historic and moral commitment to BN(O)s. • Under the proposed scheme, the BN(O) visa will also be available to individuals who are not BN(O)s that are aged over 18 years, namely those born to BN(O) parents after 1 July 1997 (currently up to 23 years old, increasing each year) who remain part of the same household as the BN(O). There are several reasons justifying this: addresses the gap created by the 1997 cut-off which meant they were too young to have been registered, acknowledging the intention of the parents to maintain ties with the UK through their BN(O) registration, and to ensure that immediate family units are not divided, plus many in this age group are likely to have been particularly politically active in Hong Kong. • There is an exemption in the Equality Act that permits direct age discrimination to the extent that the discrimination in question is a proportionate means of achieving a legitimate aim, which has been relied on. The discrimination would be likely to be considered necessary and appropriate as a means of creating a way for the '18-23 cohort' to enter the country. <p>There is limited indirect discrimination on the other protected characteristics.</p> <p>The SRO has read, understood and agreed these findings.</p>	<p>Yes</p>

Any test not applied can be deleted except **the Equality Statement**, where the policy lead must provide a paragraph of summary information on this.

The Home Office requires the **Specific Impact Test on the Equality Statement** to have a summary paragraph, stating the main points. **You cannot delete this and it MUST be completed.**

ANNEX 1 – Visa fee and Unit Costs

Table A1.1 – Out of country fee level and unit cost by visa product, £.

OUT OF COUNTRY - Visa Products	Estimated 2020/21 Unit Cost (£)	2020/21 Fee (£)
British Nationals Overseas (BN(O)) Visa – 5 Year	£170	£250
British Nationals Overseas (BN(O)) Visa – 30 Months	£170	£180

Table A1.2 – In Country fee level and unit cost by visa product, £.

IN COUNTRY - Visa Products	Estimated 2020/21 Unit Cost (£)	2020/21 Fee (£)
British Nationals Overseas (BN(O)) Visa Extension – 30 Months	£170	£180

ANNEX 2 – Fiscal Impact of migration

The Home Office has developed modelling to assess the fiscal impact of migration on fiscal spend and fiscal revenue.

- Fiscal spend is estimated by calculating costs per head for different types of public services accessible by non-UK nationals who visit and live in the UK.
- Fiscal revenue considers the contributions to tax revenue, such as income tax, National Insurance, council tax and indirect tax of foreign nationals.

A static analysis of the 2018/19 fiscal year is used to estimate tax revenue and government spending attributable to migrants of a given age, economic status and earned income. This analysis is applied to changes in future net migration flows (by wage, age and economic activity) to estimate the order of magnitude of the impact on the public finances.

This analysis is not a projection of the future state of the economy; it is based on the latest data on fiscal expenditure and tax rates which captures the UK economy based on data relating to 2018/19, adjusting for productivity growth and inflation, allowing specific impacts of changes to migration to be explored, holding all other factors constant.

In the literature, there are a number of different approaches to calculating the effect of policy changes on fiscal balances. The central methodology used here represents a ‘marginal’ approach to measuring the impact of migration and therefore makes a distinction between spend and revenue that is unlikely to vary according to the number of individuals moving to the UK.

The modelling framework considers initial impacts of specific policy changes. It does not consider dynamic responses of the economy and behavioural responses of individual and firms. No assumption is made for how migrants age over this period.

The following sections outline in more detail the methodology used for the two components of the analysis.

2.1 Fiscal spend analysis

The analysis uses a top down approach to apportion total expenditure on public services at the individual level. This results in estimated unit costs for different types of public expenditure, by migrant age group and economic activity.

This method represents a ‘marginal’ approach to measuring the impact of migrant policy on the UK Exchequer and therefore excludes fiscal spend components that are unlikely to vary according to the number of individuals moving to the UK. Under this approach, newly arrived migrants are assumed to have little or no impact on expenditure on services such as pure public goods, debt interest and EU transactions. However, they are assumed to have an impact on congestible public goods such as road maintenance expenditure.

Main data sources

Data on expenditure of public services is obtained from Public Expenditure Statistical Analysis (PESA) published by HM Treasury, which provides data on public sector expenditure broken down by functions. The analysis is based on data for 2018/19³².

³² “Public Expenditure Statistical Analyses 2019”, GOV.UK, 2019

Data on migrant population characteristics is obtained from the Annual Population Survey (APS) produced by the ONS. The APS data for 2018/19 is used to derive population characteristics such as volumes of existing residents by nationality and age distribution. When using estimates of total UK population, the analysis uses ONS 2018³³ data, which is considered more accurate than the APS.

Data on social protection expenditure is obtained from the Family Resources Survey³⁴ (FRS) for 2018/19. The FRS data for 2018/19 is used to obtain the average benefit received by working age individuals in the UK.

Table A2.1 describes how these data are apportioned on a per capita basis. Unit costs are based on 2018/9 prices these have been inflated to 2020/21 prices and adjusted using OBR long-term projections for real labour productivity growth to account for future economic growth³⁵.

³³ "Population and migration", Office for National Statistics, 2018.

³⁴ FRS is self-reported, this means it is likely to under-report benefit receipt figures as some respondents do not know or do not have the necessary information to answer the specific questions about individual benefits which makes it difficult to collate accurate information; more information on this, and the FRS more generally, is available at <https://www.gov.uk/government/statistics/family-resources-survey-financial-year-201617>. For estimates of benefit expenditure and caseload for EEA nationals, publications from HMRC or DWP should be used; <https://www.gov.uk/government/statistics/income-tax-nics-tax-credits-and-child-benefit-statistics-for-eea-nationals-2015-to-2016> and <https://www.gov.uk/government/statistics/nationality-at-point-of-national-insurance-number-registration-of-dwp-working-age-benefit-recipients-data-to-november-2017> respectively.

³⁵ "Economic and fiscal outlook – March 2019", Office for Budget Responsibility, 2019

Table A2.1 Methodology for apportioning fiscal spend components

Major spend components	Marginal approach
Public goods (i.e. R&D, Defence) Debt interest	Under a marginal approach this spend is only allocated to the resident population. The rationale is that the marginal costs of providing these services to an additional migrant is zero/negligible.
Housing development	Allocated on a per capita basis
Police services	Allocated on a per capita basis
Health	Office of Budget Responsibility (OBR) ³⁶ estimates on health spending by age are applied. On top of this, an adjustment is made for lower usage of the healthcare system of non-UK nationals than the UK population: A further reduction of 62 per cent has been applied to the healthcare unit costs of non-EEA nationals, to reflect lower usage of the system compared to UK population as per Department of Health & Social Care internal analysis ³⁷ .
Pre-primary education	Allocated evenly to 0-4 year olds
Primary and secondary education	Allocated evenly to 5-17 year olds
Tertiary education	Allocated evenly to students in higher education, based on Student Loans Company data (excluding international non-EEA students)
Social protection: benefits	Estimates per head costs based on FRS data to reflect the average benefit received for EEA nationals of working age, dependent on earnings. Non-EEA inflows are not assumed to be eligible for benefits
Social protection: personal social services	Social protection and social exclusion allocated on a per capita basis. Family and child social services allocated using APS data on share of family units and age of head of household. Old age social services apportioned equally to 65 years and above population.

2.2 Fiscal revenue analysis

The analysis uses a bottom-up approach to calculate the expected contribution to direct and indirect taxes from migrants, based on individuals' characteristics, and data on their earnings and spending patterns.

Under this approach newly arrived migrants are assumed to have little or no impact on revenue streams such as capital gains tax, inheritance tax and gross operating surplus. However, as well as income tax and NICs, VAT and council tax, newly arrived migrants are also assumed to have an impact on taxes paid by businesses such as corporation tax and business rates.

³⁶ "Fiscal sustainability analytical papers – 2016", Office for Budget Responsibility, 2016

³⁷ Department of Health & Social Care estimate of the use of service is based on data on use of primary and secondary care by IHS payers.

Main data sources

Total revenue is taken from the OBR's Economic and Fiscal Outlook³⁸. The analysis also considers information on indirect taxes by nationality in the Living Cost and Food survey data between 2016/17, 2017/18, and 2018/19³⁹ and council tax in ONS data on the effects of taxes and benefits on household income⁴⁰ 2018/19.

Table A2.2: Methodology for apportioning fiscal revenue components

Major revenue components	Marginal approach
Income Tax	Tax rates for 2020/21 are applied to estimated taxable income
National insurance contributions (NICs)	NICs rates for 2020/21 are applied to estimated earnings
Indirect taxes (include VAT, duties on specific products such as alcohol and tobacco, licences such as television and intermediate taxes)	Indirect tax rates are calculated depending on earning deciles. Data from the Living Cost and Food survey ⁴¹ between 2016/17, 2017/18 and 2018/19 is used to estimate the effective tax rate (indirect tax divided by disposable income) by household income decile.
Corporation taxes Business rates	Profits and the capital stock change with the size of the workforce. In a marginal approach the assumption is made that any changes in migrant workers will have an impact of company taxes and business rates. This assumes that contributions to Company tax and Business rates are ultimately driven by consumption in the same way as indirect taxes, and the per capita allocation is based on an individual's contribution to indirect taxes.
Council tax	Allocated depending on earning deciles, based ONS ⁴² estimates of council tax paid per household in each income decile. An adjustment is made for those receiving a council tax reduction and the number of economically active individuals in each household.
Capital gains tax Inheritance tax Gross operating surplus, interest and dividends All other taxes/income streams	Under a marginal approach this revenue is allocated only to the resident population. The rationale is that a newly arrived migrant will have little or no impact on these revenue streams.

³⁸ ["Economic and fiscal outlook – March 2019"](#), Office for Budget Responsibility, 2019

³⁹ ["Household expenditure and disposable income by disposable income decile group, by origin of household reference person, UK, financial year ending 2017 to financial year ending 2019"](#), Office for National Statistics, 2020

⁴⁰ ["Effects of taxes and benefits on household income"](#), Office for National Statistics, 2020

⁴¹ ["Household expenditure and disposable income by disposable income decile group, by origin of household reference person, UK, financial year ending 2015 to financial year ending 2017"](#), Office for National Statistics, 2018

⁴² ["Effects of taxes and benefits on household income"](#), Office for National Statistics, 2020