

Impact Assessment, The Home Office

Title: Increase Passport Fees 2023 IA No: HO 0432 RPC Reference No: N/A Other departments or agencies: HMPO	Date: 09 January 2023
	Stage: FINAL
	Intervention: Domestic
	Measure: Secondary legislation
Enquiries: feesandincomeplanning.requests@homeoffice.gov.uk	
RPC Opinion: N/A	Business Impact Target: Not a regulatory provision

Cost of Preferred (or more likely) Option (in 2022/23 prices)

Net Present Social Value NPSV (£m)	£0m	Business Net Present Value BNPV (£m)	£0.1m	Net cost to business per year EANDCB (£m)	N/A
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What is the problem under consideration? Why is government intervention necessary?

The Immigration Act 2016 (IA 2016) makes provision for UK passport application fees to be set at a level to better recover costs associated with exercising passport functions, including costs relating to British citizens crossing the UK border. The Government must legislate to increase passport fees to bring them closer to a full cost recovery position, reducing reliance on funding from general taxation. The change also aims to correct some anomalies in the current fee schedule, such as aligning Fast Track and priority fees for certain cohorts with wider applicants, to ensure they are aligned with the intended policies.

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

The strategic objective is to enable the legitimate movement of people to support economic prosperity. The intended policy outcome is an increase in income from passport applications to fund the migration and borders system and reduce reliance on UK taxpayer funding. The indicators of success include maintaining the estimated volumes of applications and income across February 2023 to March 2024.

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

Option 1: 'Do nothing' where passport fees remain at their current level. Under this scenario, the Home Office would not increase fee income to a level closer to full cost recovery and would contradict the Managing Public Money (MPM 2022) framework. This would not reduce the reliance on funding from general taxation to support delivery of passport functions.

Option 2: Increase passport fees as described in Table 1. **This is the Government's preferred option.**

Passport fees require negative secondary legislation so no alternative to regulation is available.

Main assumptions/sensitivities and economic/analytical risks	Discount rate (%)	3.5
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The estimates rely on future passport demand scenarios which are highly uncertain due to COVID-19 related fluctuations. They assume no effect on overall passport demand due to the proposed fee increases. Due to a lack of evidence, no account has been made for behavioural shifts: in channel of application, due to the greater price increase in absolute terms between postal and online applications, or, of applications being brought forward to avoid the fee increase. However, the Home Office estimates that any arising behavioural changes are likely to be of a modest magnitude.

Will the policy be reviewed? It **will not** be reviewed. **If applicable, set review date:** N/A

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

Signed by the responsible Minister: _____ Robert Jenrick _____ Date: _____ 11 January 2023 _____

Summary: Analysis & Evidence

Policy Option 2

Description: Increase Passport Fees 2023

FULL ECONOMIC ASSESSMENT

Year(s):	Price Base	2022/23	PV Base	2022/23	Appraisal	5 years	Transition	0
Estimate of Net Present Social Value NPSV (£m)						Estimate of BNPV (£m)		
Low:	0	High:	0	Best:	0	Best BNPV	0.1	

COSTS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	0.1	193.0	193.1	42.3	0
High	0.1	249.0	249.1	54.5	0
Best Estimate	0.1	220.5	220.6	48.3	0

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

UK citizens applying for or renewing their passport incur a direct cost ranging between **£193.0 to £249.0 million (PV)**, with a central estimate of **£220.5 million (PV)** over 5 years. The cost per person equals the price increase of their passport (ranging from £4.50 to £16.50). This cost represents a transfer to HM Government¹.

The Home Office incurs a one-off set up cost of **£0.1 million** (2022/23 prices) in year 1 only, associated with system changes to reflect the new fees. This cost represents a transfer from the Home Office to the private sector.

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

Behavioural impacts arising as a result of the change in passport fees are not monetised but considered qualitatively.

BENEFITS, £m	Transition Constant Price	Ongoing Present Value	Total Present Value	Average/year Constant Price	To Business Present Value
Low	0.1	193.0	193.1	42.3	0.1
High	0.1	249.0	249.1	54.5	0.1
Best Estimate	0.1	220.5	220.6	48.3	0.1

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

HM Government¹ receives additional revenue from the increase in passport fees, ranging from **£193.0 to £249.0 million (PV)**, with a central estimate of **£220.5 million (PV)**, over 5 years. This benefit is equivalent to the cost incurred by UK citizens.

The private sector receives a one-off benefit of **£0.1 million** (2022/23 prices) to deliver the system changes needed to reflect the new fee levels. This benefit is a direct transfer from the Home Office.

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

None identified.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:									
Cost, £m	0.0	Benefit, £m	0.02	Net, £m	0.02				
Score for Business Impact Target (qualifying provisions only) £m:					N/A				
Is this measure likely to impact on trade and investment?					N				
Are any of these organisations in scope?		Micro	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?	Y	Are there any impacts on particular groups?	N
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A. Strategic objective and overview

A.1 Strategic objective

1. The Home Office's strategic objective is to enable the legitimate movement of people to support economic prosperity. The Government has sought to support this objective through a largely self-funded migration and borders system, where the costs of front-line Border, Immigration and Citizenship operations are substantially recovered through fees paid by those who use the system. Currently if fee income is insufficient to fund operating costs, the remainder of costs is met from general taxation. To ensure that the system is sustainable, the Government believes it is fair that those who use and benefit directly from the UK migration and borders system make an appropriate contribution to meeting its costs.

A.2 Background

2. Passport fees are regulated by Section 86 of the Immigration Act 2016 (IA 2016) and the Passport (Fees) Regulations 2022. The IA 2016 sets out the costs that may be taken into account when setting fees for passport functions in Regulations, which include:
 - The costs of exercising the function.
 - The costs of exercising any other function of the Secretary of State in connection with United Kingdom passports or other UK travel documents.
 - The costs of exercising any consular function.
3. Passport fees are currently set below full cost recovery, when costs including those associated with UK nationals crossing the border are taken into account. Passport fee levels were last changed in 2018.

A.3 Groups affected

4. UK citizens wishing to apply for and renew their UK passport will be impacted by this policy. This includes a range of groups who are subject to differential fee levels depending on their circumstances, including whether they are an adult or child, applying in the UK or from overseas, and whether their application is being made online or via post. This policy will also impact those who choose to pay an additional fee for an optional expedited processing service.
5. In 2021, 45.7 million people in England and Wales held a British passport, representing 76.7 per cent of residents and an increase since 2011.² This is the main group who will be affected by this policy. For context, 13.5 per cent of residents in England and Wales did not hold a passport of any nationality in 2021.³

¹ The additional revenue would be received primarily by the Home Office with a small proportion received by the Foreign, Commonwealth & Development Office

² Office for National Statistics (ONS), International migration, England and Wales: Census 2021

³ ONS, International migration, England and Wales: Census 2021

B. Rationale for intervention

6. The rationale for intervention is to move fees for passport applications closer to a full cost recovery position, reducing reliance on funding from general taxation and supporting the overall objective of moving towards a migration and borders system that is substantially self-funded.

C. Policy objective

7. The intended policy outcome is an increase in income from passport applications to bring the fee closer to the costs associated with processing the application (and related functions, including costs associated with UK nationals crossing the border and some consular services), and help support the funding of the migration and borders system, reducing reliance on funding from general taxation. The indicators of success include maintaining the estimated volumes of applications and income across February 2023 - March 2024. It is also imperative that any change is compliant with the provisions of IA 2016, namely that income from passport fees should not exceed full cost recovery.
8. The change also aims to correct some anomalies in the current fee schedule in order to ensure they are aligned with the broader policy intent. These include:
 - Reducing child Fast Track and adult Fast Track collect passport fees so that adult and child fees are aligned with each other for the same service.
 - Increasing the priority fees for passport holders born on or before 2nd September 1929 to align with same fees as other customers. These customers can receive a standard passport for free.
 - Reducing fees for members of the armed forces applying overseas for a jumbo passport and where the application is checked and submitted by armed forces personnel who are nominated for that purpose to bring these in line with UK customer fees.

D. Options considered and implementation

Option 1: Do nothing

9. Under **Option 1**, passport fees are not increased, and remain at their 2021/22 level. This option would not meet the Home Office's strategic 'user pays' model outcome, and would leave the department more reliant on taxpayer funding to operate the UK border.

Option 2: Increase passport fees: **This is the Government's preferred option**

10. Under **Option 2**, passport fees increase. Table 1 outlines the current fees and proposed increases per passport product.
11. The Home Office have not undertaken analysis in line with HMT Managing Public Money (MPM) guidance 2022, to set an optimum level for passport fees. Instead, **Option 2** uprates current fees to a level below the unit costs incurred by HM Government when issuing passports (when including costs associated with exercising passport functions, including

costs relating to British citizens crossing the UK border and some consular services), therefore the HM Government continues not to make a surplus from the proposed changes. The level of revenue, expenditure and net surplus under **Option 2** is set out in paragraphs 22 to 26.

Table 1, Current and proposed fee levels (£)

Category	Type	Current	New	Increase
UK Postal	Adult	85.00	93.00	8.00
	Child	58.50	64.00	5.50
UK Online	Adult	75.50	82.50	7.00
	Child	49.00	53.50	4.50
International Postal	Adult	95.50	104.50	9.00
	Child	65.50	71.50	6.00
International Online	Adult	86.00	94.00	8.00
	Child	56.00	61.00	5.00
Priority 1 Week	Adult	142.00	155.00	13.00
	Child	122.00	126.00	4.00
Priority 1 Day	Adult	177.00	193.50	16.50

Source: UKVI visa fees transparency data⁴

- 12. The passport fee changes will require secondary legislation via a negative procedure statutory instrument. This will be laid on 11 January 2023 with a commencement date of 2 February 2023.

E. Appraisal

General assumptions and data

- 13. The following section sets out the economic costs and benefits of the proposed passport fee changes. The analysis produces a net present social value (NPSV) of increases in passport fees under **Option 2** using the Home Office’s central scenarios of future passport demand volumes. The analysis also produces a range around the central scenario using low and high sensitivities around the underlying passport demand volumes, in order to reflect the inherent uncertainty caused by post-COVID-19 related fluctuations.
- 14. The appraisal period in this IA is five years, covering the remainder of financial year 2022/23 (February and March) up to, and including, January 2028.
- 15. The estimates in this IA assume that passport fees remain at the proposed levels throughout the appraisal period. This should not be interpreted as an indication of future levels of fees beyond 2023/24, as passport fees can be reviewed year-on-year in future amendments made by secondary legislation.

Baseline volumes

⁴ Visa fees transparency data - GOV.UK (www.gov.uk)

16. The analysis in this IA is underpinned by Home Office passport application demand scenarios which are inherently uncertain. They are based on historic data and account for potential changes to applicant behaviour over the appraisal period.
17. Internal Home Office evidence suggests that a number of people delayed applying for a passport due to COVID-19 related travel disruption. The passport application demand scenarios set out below are based on typical pre-COVID-19 application rates and renewal cycles adjusted with estimates of the return of demand lost during COVID-19 related travel disruption. Estimating how those affected by COVID-19 will behave going forward, without comparable historic data, adds further uncertainty to these estimates. Estimates for 2027 and 2028 are assumed to be unchanged from 2026.
18. Table 2 outlines the volumes by year used in calculating the revenue estimations presented in this IA.

Table 2: Passport application demand scenarios by financial year, millions, 2022.

Year	Low	High	Central
2022/23 (from 2 Feb 2023)	1.6	2.2	1.9
2023/24	6.8	9.3	8.1
2024/25	6.1	8.1	7.4
2025/26	5.9	7.4	6.5
2026/27	5.9	7.5	6.5
2027/28 (until 1 Feb 2028)	4.6	5.8	5.1

Source: Internal Home Office estimates

19. The return of lost demand during the COVID-19 pandemic has inflated passport demand estimates for 2023 and 2024 (and to a lesser extent 2025). Therefore, the revenue likely to be received over the following two years is unlikely to be sustained in the future.
20. The risks associated with using these baseline volumes is discussed in paragraphs 35 and 36.

COSTS

Set-up costs

21. One-off costs may arise in association with suppliers needing to update and test their systems in order to reflect the new fee levels. Based on evidence from 2018 when passport fees were last increased, it is estimated that these costs could amount to £100,000.⁵ The cost will be borne by the Home Office.

Ongoing and total costs

22. UK citizens who hold a passport will face an additional on-going cost ranging between £4.50 to £16.50 per passport application, dependent on the passport type and channel of application. As the average UK passport is valid for either five years (for a child) or 10 years (for adults), each UK citizen who holds, or wishes to hold, a passport will bear this additional cost once every five or 10 years, upon application.

⁵ Passport fees: impact assessment - GOV.UK (www.gov.uk)

23. Accounting for the number of passport applications and renewals per year (outlined in Table 2) and multiplying by the change in passport fees (summarised in Table 1), the policy change could result in a cost to private individuals ranging between **£193.0 and £249.0 million (PV)**, with a central estimate of **£220.5 million (PV)** over five years. The estimates include costs arising from standard passport applications (online and postal) as well as costs associated with the provision of priority services.⁶ This cost represents a transfer⁷ to HM Government¹.

BENEFITS

Set-up benefits

24. If domestic businesses are contracted to update the passport application systems to reflect the new fees, the private sector could incur a benefit of £100,000. This is equivalent to the one-off costs borne by the Home Office and discussed in paragraph 21 above.

Ongoing and total benefits

25. HMG could receive additional revenue associated with the proposed passport fees ranging between **£193.0 and £249.0 million (PV)**, with a central estimate of **£220.5 million (PV)** over five years. This includes revenue for standard passport applications (online and postal) as well as revenue for priority services.⁸ This benefit is equivalent to the cost borne by UK citizens applying or renewing a British passport, which is set out in paragraph 22.

Although the preferred policy option brings the fees of passport products closer to the cost incurred by the public sector from issuing passports, the higher fees do not achieve full cost recovery. Table 3 outlines that, in the central scenario, the Home Office's expenditure is likely to outweigh additional revenue by **£1.1 billion** over the five years. Home Office charge below full economic cost-recovery to reduce the cost-burden on British applicants and to avoid unintended negative effects on demand.

Table 3, Public sector revenue and expenditure over 5 years, 2022.

Scenario	Volume of passports (millions)	Average passport fee (£)	Average passport fee change (£)	Average unit cost (£)	Revenue (£m)	Expenditure (£m)	Surplus (£m)
Low	31.0	81	7	111	2,518	3,438	-920
Central	35.5	81	7	111	2,883	3,936	-1,053
High	40.2	81	7	111	3,267	4,460	-1,193

Source: Home Office estimates

Behavioural impacts

26. The above estimates do not account for any changes in demand for passports directly resulting from the increase in passport fees. This is due to a lack of evidence available to determine the inherent value UK citizens derive from having a physical passport and their likelihood to choose not to purchase, or renew, their passport following the price change.
27. However, the policy may result in associated behavioural responses among small cohorts of UK citizens:

⁶ Internal Home Office estimates indicate that, on average, around 5 per cent of people use a priority service when applying for a passport.

⁷ Transfer payments represent a benefit to one party (in this case, the Home Office) at the cost of another party (in this case, UK citizens applying or renewing their passport). Transfer payments offset one another, leaving no net impact on wider society.

⁸ Internal Home Office estimates indicate that, on average, around 5 per cent of people use a priority service when applying for a passport.

- a) Some individuals may choose to apply for, or renew, their passport before the new fee is implemented in order to benefit from the currently lower price. This would result in a shift in demand from the first year of the appraisal period to before the policy is implemented.
 - b) Some individuals may delay their passport application if this is a routine renewal rather than a present need for ID or travel documentation. This is because they may have been willing to pay the current fee for peace of mind, even where there was no direct requirement, but given the higher fee, they would wait until a passport became necessary.
 - c) Some individuals may be put off entirely from applying for, or renewing, their passport as a result of the higher price. This would result in them foregoing the benefits afforded from possession of a UK passport, including the associated travel and foreign diplomatic protections.
28. The impact of any potential behavioural response from Cohorts a) or b) is likely to be very small. These shifts in demand could impact on the magnitude and time period at which the Home Office receives revenue and incurs the associated cost of processing the application. Given the annual number of passport applications, the risk of this IA not considering these responses is proportionately small.
 29. However, for Cohort c), the impact of this behavioural response extends beyond the revenue impact on the Home Office to the impact of the foregone benefits provided to passport holders for those who would have sought to apply or renew, but are now unable or unwilling to do so. It is likely that the cohort of individuals most at risk of being unable to afford the increased fee, however small in numbers, are those who are most vulnerable, and for whom the intangible benefits of passport ownership are most valuable.
 30. As the price increase is fairly small in absolute terms and some of those who are most likely to be price sensitive (those born before 2 September 1929) already get concessionary passports, the monetised benefits of this policy are large enough to not be materially impacted by any small-scale reduction in passport demand from this cohort. However, it is important to note here the non-quantified impact on those individuals who are unable to apply, however small the volume of affected individuals.
 31. It has also been assumed that the policy is unlikely to result in a change of channel of application (postal or online). Although the new passport fees lead to a greater price increase in the absolute value of a postal application in comparison to an online application, no substitution effect is assumed to occur as the additional price difference is small (£1).
 32. It is reasonable to assume that UK citizens using the postal route (around 6% of all applications) have a strong preference for this channel as there is already a significant price difference (£9.50). If there were to be a strong move to online applications, this could lower the revenue collected by the Home Office. However, online passport applications are cheaper to process per unit than postal passport applications so some of the potential fall in revenue could be offset.

F. Proportionality

33. The proposed change in passport fees does not represent a substantial increase in fees, both for postal online applications, and based on existing evidence and insight, is not expected to generate large changes in volumes of passport applications. Therefore, the level

of analysis presented in this impact assessment is considered proportionate to the policy change.

G. Risks

Application Volumes

34. The passport demand estimations used for calculations are based on historic data and other internal Home Office evidence. There is a substantial risk of fluctuations in volumes as recovery in passport applications following COVID-19 remains uncertain.
35. As a result of this uncertainty, bespoke demand estimates are not produced by the Home Office beyond the end of 2026. Estimates from 2026 have instead been used for 2027 and 2028. This creates additional risk to the one identified in paragraph 35, as estimation for these years is especially uncertain and, therefore, actual volumes could reasonably fall outside the stated range. As a result, the actual impacts of the policy in 2027 and 2028 could materially differ from those presented in this IA. However, this is also true of the years 2023/24 to 2025/26 given the uncertainty in demand forecasting.

Behaviour Related Risks

36. The behavioural responses set out in the Behavioural Response section in paragraphs 27 - 33 represent risks to the revenue that will be generated through this fee change. If there is a fall in the volume of passport applications due to individuals delaying their application or never applying, or a shifting their application date to before the implementation date, then there will be a reduction in revenue transferred to the Home Office by this policy.
37. Similarly, if there were to be a shifting of channel (from postal to online) due to the policy change, then less revenue is likely to be realised. In this event, the values presented in this IA would represent an over-estimate of the revenue this policy would bring to the Home Office.

H. Direct costs and benefits to business calculations

38. Fees and charges are out-of-scope of the Business Impact Target (BIT).

I. Wider impacts

39. No further wider impacts have been identified at this stage.

J. Trade Impact

40. No trade impacts have been identified at this stage.

K. Monitoring and evaluation plan

41. The policy is expected to be implemented from early 2023, following changes to the Passports (Fees) Regulations in 2022.
42. 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 UK citizens who (wish to) hold a British passport via email and may also receive feedback as part of its normal passport issuing processes, through its public enquiry lines, and through formal correspondence with interested parties.
43. There are no current plans for 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>The Public Sector Equality Duty has been considered in the development of these proposals. In summary, the department does not consider that there will be any particular impact on any group with a protected characteristic as a result of the proposed changes, as fees are being increased by a consistent percentage across different product lines.</p> <p>Due to the existing differential fee structure (with, for example, adult applications charged at a higher fee than those for children), the proposals do result in higher absolute increases for certain products and therefore customer groups. However, these differentials are supported by a broader rationale (for example, adult passports having a 10-year validity as opposed to 5-years for a child) and the existing structure is not in any case significantly impacted by these proposals. There is also potential, as noted in the Impact Assessment, that an increase in the price of a passport may lead to a reduction in the numbers applying, with any such reduction more likely to include vulnerable customers (including the elderly) who do not feel that they can afford the higher fee. However, we consider that this is mitigated by the relatively minor nature of the proposed price increase (£7-£8, depending on application channel), especially when considering the 10-year validity of a new adult passport.</p> <p>Any impact would represent a proportionate means of supporting the legitimate aim of moving passport fees closer to cost recovery, reducing reliance on funding from general taxation.</p> <p>The SRO has agreed these summary findings of the Equality Impact Assessment.</p>	<p>Yes</p>