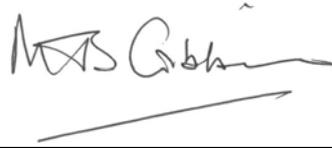


 <b>Regulatory Policy Committee</b>	<b>OPINION</b>	
<b>Impact Assessment (IA)</b>	Reform of the Points Based Student (PBS) Immigration System	
<b>Lead Department/Agency</b>	Home Office	
<b>Stage</b>	Final	
<b>Origin</b>	Domestic	
<b>Date submitted to RPC</b>	29/03/2011	
<b>RPC Opinion date and reference</b>	31/03/2011	RPC11-HO-0663(3)
<b>Overall Assessment</b>	<b>AMBER</b>	
<p>The IA is fit for purpose. Most of the issues raised in the RPC's previous opinion have been addressed in this revised IA. The IA now says that the net direct cost to business will be £25.5 million in Equivalent Annual Costs (EAC) terms, which is significantly higher than what was previously reported (-£0.8 million EAC), and appears to be a reasonable estimate of the minimum net direct impact on business. However, the estimates of the wider economic impacts of the policy need further consideration following the planned review by the Migration Advisory Committee (MAC).</p>		
<p><b>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</b></p>		
<p>The RPC's previous Opinions raised concerns regarding various aspects of the cost-benefit analysis of the proposed changes to the student immigration system, particularly with regards to the potential impact on education and other sectors of the economy. Most of the issues have now been addressed. Following the discussions with the RPC, the Department has now revised the estimate of the net direct impact on business from -£0.8 million to £25.5 million in EAC terms. Based on the information provided this revised figure appears to be a reasonable estimate of the net direct impact on business.</p> <p>The RPC understands that a review is planned to be carried out by MAC to support the analysis regarding the wider economic impacts of the changes in immigration policies. This and other additional evidence, such as a further full confirmation from the Higher Education Funding Council of England regarding the impact of the policy on education sector, are needed before the estimates regarding the full impacts of the policy presented in the IA are considered as robust.</p>		
<p><b>Have the necessary burden reductions required by One-in, One-out been identified and are they robust?</b></p>		
<p>The Department has revised the estimate of the direct net cost to business ("In"), which is now estimated to be £25.5 million in Equivalent Annual Cost terms or £95.4 million in Present Value terms over a four year period. Based on the additional information and clarification provided this appears to be a reasonable estimate of the net direct impact on business for One-in, One-out purposes. However, as noted in our previous Opinion the calculations are heavily dependent on the reliability of several assumptions, particularly the potential replacement effect of foreign students for educational establishments. Therefore, this figure (£25.5 million) should be</p>		

considered as a minimum estimate of the potential cost on business. The Department should identify an equivalent "Out" to compensate the additional net cost created by this policy.

**Signed**

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line extending to the right from the end of the signature.

**Michael Gibbons, Chairman**