



National Audit Office

**REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL**

**HC 819
SESSION 2010–2011**

15 MARCH 2011

Home Office: UK Border Agency

Immigration: the Points Based
System – Work Routes

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the National Audit Office which employs some 900 staff. He and the National Audit Office are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work leads to savings and other efficiency gains worth many millions of pounds: £890 million in 2009-10.



National Audit Office

Home Office: UK Border Agency

Immigration: the Points Based System – Work Routes

Ordered by the House of Commons
to be printed on 14 March 2011

Report by the Comptroller and Auditor General
HC 819 Session 2010–2011
15 March 2011

London: The Stationery Office
£15.50

This report has been
prepared under Section 6
of the National Audit Act
1983 for presentation to
the House of Commons
in accordance with
Section 9 of the Act.

Amyas Morse
Comptroller and
Auditor General
National Audit Office
8 March 2011

The Home Office designed the Points Based System for immigration to meet the UK's needs for migrant workers through a simplified, more transparent scheme than the previous 39 different types of work visa.

© National Audit Office 2011

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as National Audit Office copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Printed in the UK for the Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
2419640 03/11 65536

Contents

Summary **4**

Part One

Designing and implementing
an adaptable system
for economic immigration
to meet the UK's
changing needs **12**

Part Two

Providing efficient
processes and value
for money for stakeholders **22**

Part Three

Protecting resident workers
and preventing abuse **30**

Appendix One

Methodology **35**

The National Audit Office study team
consisted of:

Julie McGuinness, Rebecca Webb,
Ian Cockburn, Sarah Lawrence and
James Cotton under the direction
of Aileen Murphie.

This report can be found on the
National Audit Office website at
www.nao.org.uk/points-based-immigration-2011

For further information about the
National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk
Website: www.nao.org.uk
Twitter: @NAOorguk

Summary

Background

1 The Home Office designed the Points Based System for immigration to meet the UK's needs for migrant workers through a simplified, more transparent scheme than the previous 39 different types of work visa. In 2008, the newly-created UK Border Agency (the Agency) became responsible for implementing the Points Based System (the System). The Home Office's objectives for the System were to:

- better identify and attract migrants (from outside the European Economic Area) who have most to contribute to the UK;
- provide a more efficient, transparent and objective application process; and
- improve compliance and reduce the scope for abuse.

The System has three main routes for people to enter the UK to work (Tiers 1, 2 and 5) depending on their skills and qualifications, whether they have a job offer and whether the work is temporary (see **Figure 1**). This report excludes student migrants (Tier 4), which we intend to examine in the future, and Tier 3 for low skilled workers, which was not implemented.

Figure 1

Points Based System: Design of work-related routes

Tier	Description	Conditions of entry	Assessment criteria for points score (2008)
1	Highly skilled individuals to contribute to growth and productivity	Two years to find a job and extend or transfer to Tier 2	Bachelors degree or equivalent, age, previous earnings, English language, proof of maintenance funds
2	Skilled workers with a job offer to fill gaps in UK labour force	Job offer from employer with a UK Border Agency sponsor licence, renewable after 3 years	Qualifications to at least NVQ Level 3, salary threshold for job title, English language, proof of maintenance funds
5	Youth mobility and temporary workers: people allowed in to work for a limited period to satisfy primarily non-economic objectives	Sponsoring employer or body, renewable in limited circumstances after 12 months	Maintenance funds and, for youth mobility, age and nationality

Source: National Audit Office

2 In addition to establishing points scores against the assessment criteria shown in Figure 1 and a points threshold for each Tier, other key features of the System are:

- a number of subdivisions (sub-tiers) within the main tiers and transitional arrangements for existing migrant workers to extend their stay;
- the operation of a ‘shortage occupation list’, drawn up by the independent Migration Advisory Committee, to allow fast-tracking of skilled migrants into the UK to meet a national shortage;
- a system of sponsorship, for Tiers 2 and 5, under which employers have to fulfil specific monitoring and reporting responsibilities in relation to their migrant employees; and
- the allocation of certificates to sponsors, which they provide to their new employee in order to gain entry to the UK.

In 2005, the Home Office (the Department) set up a £35 million programme to develop supporting IT systems, caseworking processes, rules, guidance and forms for the System. Between February 2008, when a phased implementation of the System began, and December 2010, the Agency handled 445,000 migrant applications, 53 per cent of which were made in the UK and 47 per cent overseas. In 2009-10, total work route-related fee income was £119 million, fee income from UK migrant and sponsor applications was £83 million and associated administrative expenditure was £58 million. Overseas work route-related expenditure is not separately identifiable.

3 In 2010, the new Government brought in a change of policy to manage the number of immigrants to the UK. The Agency introduced interim limits for Tiers 1 and 2 and started a process of public consultation on how a fixed limit on numbers should work. It also asked the Migration Advisory Committee to advise on how many and what type of skilled migrant workers the UK needs. In November 2010, the Agency announced significant changes to the way the tiers will operate from April 2011.

4 This report looks at both the current performance of the System against its objectives and its adaptability to meet the changes required of it. We consider:

- the design and functioning of the System to meet the UK’s changing needs for non-European Economic Area migrant workers (Part One of the report);
- the efficiency and value for money for migrants, employers and the taxpayer of its processes and procedures (Part Two); and
- the Agency’s control over work-based immigration routes to protect resident workers and prevent abuse (Part Three).

To address these issues we analysed Agency management information, survey data and documents relating to the development of the System. We also analysed 510 cases drawn from the Agency's database of applications made in the UK, observed six compliance visits to sponsors, and surveyed all 19,775 Tier 2 employers on the Agency's sponsor list, 938 of whom responded. The survey was designed to provide the views of a wide range of businesses of different size, sector and experience of bringing in migrant workers and has provided a valuable, although not fully representative, perspective on the System.

Findings

On the design and implementation of the Points Based System to meet the UK's changing needs

5 The Department designed the System well for the most part, given the challenges it faced and has adapted the system since its implementation in a number of ways. Particular challenges included a lack of robust information on skills shortages within occupational sectors and the need for the System to be capable of absorbing migrants already working in the UK. The post-study route, however, is unlikely to have met its original objective of selecting only the most able international students to work in the UK.

6 The Agency delivered a functioning Points Based System to meet a tight deadline but poor programme management in the initial stages impaired key aspects. Inadequate governance and a poor IT procurement process led to delays, reductions in scope and additional cost; for example, the Agency had to pay its supplier, Fujitsu, £4 million for work carried out in 2007 developing applications which were not used. To save money, the Agency stripped out planned functionality from the sponsor management IT system, hampering its ability to manage sponsors well. A lack of preparation time also led to many changes to rules and guidance, creating confusion for Agency staff and applicants.

7 Tier 1 ('Highly Skilled') has met, in part, its objective of attracting highly skilled applicants into the UK. We estimate around 60 per cent of Tier 1 migrants in the UK, excluding those who stayed on after studying, are working in skilled or highly skilled professions, although the evidence is not robust.

8 Tier 2 ('Skilled migrants with a job offer') has largely met employers' needs for skilled workers although a third of employers responding to our survey wanted to recruit more skilled foreign workers than they were able to. Most Tier 2 migrants, however, have not taken up positions in acute or high priority national shortage although this does not mean that they are not of economic value to the UK as, for example, they may be helping to meet local skills shortages. Our sampling showed that new migrants to Tier 2 were paid more on average than those switching from previous schemes which may indicate that the System is operating to select more highly valued applicants.

On the efficiency and value for money offered to stakeholders of the System

9 The Agency's handling of migrant applications made in the UK is inefficient, mainly because of poor legacy IT. Currently, migrant application caseworkers in the UK have to access many different databases adding, on average, an extra 20 per cent to the time taken to decide an application. A new casework IT programme is planned to improve the handling of migrant applications both in the UK and at overseas posts. The Agency's new sponsor licensing software is also not fully efficient or fully accessible to staff outside Sheffield (where the sponsor licensing unit is based), but there are no definite plans for an upgrade.

10 Since launching the System, the Agency has steadily improved the speed with which it decides migrant applications; its speed of processing of sponsor licence applications, however, has been very variable. Since June 2009, the Agency has decided some 90 per cent of migrant applications in four weeks or less but performance on deciding sponsor licence applications in four weeks or less has varied between 30 and 90 per cent.

11 Both migrant applicants and sponsors are content with current fee levels but sponsors, in particular, are dissatisfied with the Agency's customer service. Three quarters of sponsors responding to our survey said that the fees provided good value for money in relation to the benefit they get from being able to bring in migrant workers. The Agency, however, has consistently failed to meet sponsor expectations for speed of processing applications. One in four sponsors responding to our survey would be prepared to pay more for better customer service and, according to an Agency survey, almost half would pay more for a single point of contact at the Agency.

12 The Agency provides some useful guidance but migrants often struggle to get the information and assistance they need, leading to additional delay and, potentially, cost to applicants who get it wrong. Many applicants are unclear what supporting documentation they have to provide and around half of applicants telephone the Agency's helplines although they often struggle to get through. In 2009-10, the Agency rejected some 8,500 migrant applications made in the UK because the application was not correctly made.

13 The Agency has not evaluated the success of its policy of 'evidential flexibility', introduced to reduce the number of rejected and failed applications, nor applied it consistently. From August 2009, caseworkers have been able to give applicants three days to provide additional information but the Agency cannot say how many times it has applied the policy or what the results were. Before February 2011 it was not being applied in some locations overseas.

On the Agency's control over work routes to protect resident workers and prevent abuse

14 The Agency's ability to assess and manage the risk of non-compliance with immigration requirements is hampered by poor information systems. The Agency lacks the means to demonstrate that the System is providing improved compliance and adequate control over work-related immigration. The Agency has teams in place providing the necessary elements of control: intelligence, risk profiling, document verification and sponsor assurance, but has no means of assessing whether it is applying sufficient resource to control issues overall. In addition, its information systems do not allow it to search for and extract information relating to control issues, such as reasons for refusing applications.

15 The Agency has not evaluated the risks associated with some inherent features of the System which could be exploited by employers and migrants. For example:

- The Agency has not evaluated the effectiveness of the Resident Labour Market Test, the key test to show that jobs need to be filled by skilled workers from overseas. The Agency cannot verify, at the point the migrant applies for a visa, that employers have carried out the test meaningfully, yet operation of the test creates cost and delay to the responsible employer.
- The Agency has not assessed the overall risk that relying on supporting documentation poses to proper control, given that half of all staff reported that they find it difficult to check that supporting documentation is valid. Under the System, because it is transparent and objective, staff have no discretion to refuse an application which meets the rules unless they can disprove the validity of documentation supporting the application.

16 A key control over the System is the Agency's ability to rely on its sponsors to police their employees but the Agency does not yet have an adequate grip on how well sponsors are fulfilling their duties:

- The Agency rated some 96 per cent of its 22,000 sponsoring employers compliant but is unable to say how many it has visited to confirm this. It visited only 15 per cent of employers, on a risk basis, before granting them a sponsor licence. It does not know how many it has yet to visit or the proportion of its visits which identify compliance issues.
- The Agency is not managing its inspection visits to sponsors well. There is conflict in the Agency between central and local demands on visiting officers and confusion over their role, status and working methods. It is also not clear that they are used most productively.

17 The Agency has not taken sufficient action to check that migrants leave the UK if they have no right to remain. For example, it has not routinely followed up UK-based applicants to ensure they leave if it refuses to extend their visa. Since 2009, however, one Agency region has contacted refused applicants and encouraged around 2,000 migrants to leave voluntarily. The Agency told us this approach is now being rolled-out in other regions. The Agency estimates there may be up to 181,000 migrants in the UK of all visa types whose permission to remain has expired since December 2008.

Value for money conclusion

18 We conclude that the Points Based System is not yet delivering value for money. The System provides an adaptable means of meeting the UK's work-related immigration policy objectives. However, the Agency's systems are not efficient and its customer service does not meet sponsors' expectations. In addition, the Agency lacks basic information on its compliance activities and their effectiveness and, therefore, cannot provide assurance that it is managing the risk of non-compliance by migrants and sponsors with immigration rules effectively.

19 The Agency has work in hand to improve the efficiency and productivity of its processes. It needs, however, to make improvements to its IT systems, in addition to those already planned, to create much better management information and use it to manage outcomes for its customers and the taxpayer, as well as its own processes. The Agency also needs to give greater priority to ensuring that migrants leave when they should, than it has done up to now.

Recommendations

20 The System will be subject to radical change in 2011-12 as the Agency implements recent policy changes and new ways of working. This provides the opportunity for the Agency to reconsider its priorities and improve customer service and assurance over control systems. Many of our recommendations can be incorporated into changes already planned. Any additional costs of implementing recommendations could, however, be met through efficiencies or through small increases to fees.

- a Currently, the Agency's performance management regime for the System focuses on meeting targets for processing applications and making quality decisions.** The Agency should establish a comprehensive performance management regime for the System including measures relating to customer service, efficiency and sponsor management.

- b There is little Points Based System management information.** The Agency must develop its systems, including the Immigration Case Work programme and Sponsor Management systems so they:

 - provide useful data on key metrics, including the number of inspection visits conducted;
 - deliver the management information required to support an improved performance management framework; and
 - allow the Agency to calculate actual unit costs for Points Based System activities.
- c Some sponsors and applicants have experienced poor customer service.** The Agency should address the customer service issues that customers say matter most: speed of decision-making and availability of consistent accurate advice.
- d Evidential flexibility, to give applicants the opportunity to provide missing information, is not applied consistently and does not give applicants sufficient time to respond.** The Agency should evaluate the cost-effectiveness of this policy and ensure that whatever changes are made, they are applied consistently across the Agency.
- e The Agency lacks the ability to identify easily individuals whose visas have expired and does not routinely follow-up those it refuses, to ensure they leave the UK.** As recommended by the Public Accounts Committee in 2005¹, the Agency has taken steps towards identifying cases where migrants have overstayed their limit, however further work needs to be done. The Agency should, by October 2011, set targets; establish a national system; and report annually on its performance in tackling overstayers.
- f The Agency visits some sponsoring employers to check that they are complying with immigration rules but its risk basis for these visits is not well-evidenced.** The Agency should establish an evidenced risk-based visiting strategy, including flexibility to take account of local risk factors and visiting officer quality and experience. It should set minimum productivity levels and visit intervals for each risk category of sponsor.

1 *Returning Failed Asylum Applicants*, Committee of Public Accounts, 34th Report, Session 2005-06.

- g The role and professional status of the Agency's visiting officers is not clear, contributing to inefficiency and poor customer service.** The Agency should clarify the standards it expects from its cadre of visiting officers; their role, for example, in giving advice; and the training they require. It should learn from other regulatory bodies, such as the Environment Agency and the Health and Safety Executive, which have implemented the Hampton principles of effective inspection and enforcement.²
- h The resident labour market test does not suit the requirements of all sponsors and the Agency is unable to check that the test has been conducted before granting a visa.** The Agency should evaluate its requirement for Jobcentre Plus advertising and make use of more efficient and professional visiting officers to provide better assurance that, in particular, high risk sponsors are conducting the resident labour market test in a way that is suitable for the particular role and sector and ensures that the sponsor has checked that the resident market is unable to provide the required skills.

² *Regulatory quality: How regulators are implementing the Hampton vision*, National Audit Office 2008.

Part One

Designing and implementing an adaptable system for economic immigration to meet the UK's changing needs

Background

1.1 The UK Border Agency (the Agency), an executive agency of the Home Office, was established in April 2008. The Agency brings together work previously carried out by the Border and Immigration Agency, customs detection work at the UK border from HM Revenue and Customs, and UK Visa Services from the Foreign & Commonwealth Office. Its purpose is to contribute to the Home Office's strategic objective of securing the UK border and controlling migration.

1.2 The Home Office designed the Points Based System for immigration (the System) to meet the UK's needs for migrant workers through a simplified, more transparent scheme than the previous 39 different types of work visa. The then Home Secretary described the aims thus:

"We will continue to welcome economic migration within strict criteria. ... The system we have at present works well but it is complex and difficult to understand. We will bring all our current work schemes and students into a simple points based system designed to ensure that we are only taking migrants for jobs that cannot be filled from our own workforce and focusing on the skilled workers we need most like doctors, engineers, finance experts, nurses and teachers." Charles Clarke, *Controlling Our Borders: Making Migration Work for Britain*, 2005.

1.3 Under the System, the previous Government set no limit on the number of migrants who could enter the UK for work, on the assumption that skilled migration would continue to be required to support strong economic growth and better public services, reflecting a trend of increasing labour migration from developing to developed countries and worldwide competition for some types of skills.³ Employers did, however, need to justify overseas recruitment either by supplying evidence to a new independent body, the Migration Advisory Committee (MAC), on occupations where there were shortages, or by prior advertising of each position in the UK. In addition, the Government wished to attract what it called 'the brightest and the best' of overseas talent to come to the UK to look for work.

³ *International Migration Outlook*, OECD 2010.

Understanding the UK's needs and developing a migration system to match

1.4 Since the Agency introduced the System in 2008, it has given leave to 182,000 migrants to enter the UK for work purposes from outside the European Economic Area (overseas applications) and a further 179,000 to remain in the UK (in-country applications). As shown in **Figure 2**, Tier 1 (highly skilled individuals) accounts for 50 per cent of all applications granted and Tier 2 (skilled migrants with a job offer) 31 per cent. The largest single source of migrants applying to work in the UK is the post-study work route, accounting for over 90,000 people.

Figure 2

Number of applications granted for Points Based System work routes between implementation and December 2010

Tier	Visa application type	Place of application				Total applications granted	
		Within UK	Outside UK	Within UK (%)	Outside UK (%)	Total (per cent of Tier)	Percentage of applications
Tier 1 Highly skilled individuals	General	55,018	31,901	63	37	86,919	(48%)
	Post-Study	82,455	10,379	89	11	92,834	(51%)
	Investor	337	407	45	55	744	(0.4%)
	Entrepreneur	244	336	42	58	580	(0.3%)
Total Tier 1		138,054	43,023	76	24	181,077	50
Tier 2 Skilled workers with job offer	General	26,734	18,499	59	41	45,233	(40%)
	Intra-Company Transfer (ICT)	12,732	51,358	20	80	64,090	(57%)
	Minister of Religion	1,132	739	61	39	1,871	(2%)
	Sports people	181	494	27	73	675	(1%)
	Total Tier 2	40,779	71,090	36	64	111,869	31
Tier 5 Youth mobility and temporary workers	Total Tier 5	454	67,469	1	99	67,923	19
Total		179,287	181,582	50	50	360,869	100

NOTE

1 Tier 1 from April 2008, Tiers 2 and 5 from December 2008.

Source: National Audit Office

Understanding the UK's needs

1.5 The Department faced a number of challenges in designing a coherent framework for economic migration, in particular:

- there was no generally accepted definition of ‘skilled’ and ‘highly skilled’;
- the overall needs of the UK economy were not known and there was little robust information on skills shortages within occupational sectors; and
- the new system had to be capable of absorbing most of the current migrants working in the UK, to avoid significant disruption to businesses and public services.

1.6 Within this context, the Department designed the System well, for the most part.

The independent Migration Advisory Committee of labour market economists and migration experts developed a detailed and transparent methodology to establish which occupations were experiencing a national shortage of skilled workers and to define ‘skilled’ for the entire range of occupations. This approach led to a more robust Shortage Occupation List, used within Tier 2 to make it quicker and simpler to recruit. The Department established threshold qualifications and salaries for Tiers 1 and 2; it also developed the means to benchmark overseas salary levels to UK equivalents and contracted with the National Recognition Information Centre for the United Kingdom (UK NARIC) to do the same for overseas qualifications. In addition, almost all existing migrants became eligible to transfer into Tier 2 when their current work visa expired.

1.7 The Tier 1 post-study route, however, was not designed well. Originally intended for the most able international graduates, wider Government policy led the Department to allow all overseas students graduating from UK higher educational institutions to apply under Tier 1 to stay in the UK for up to two years to find work, irrespective of the quality of their degree. It is not clear that the Department foresaw the risk this posed to control of the border or whether it took adequate steps to mitigate the risk. To extend beyond two years, graduates have to find a skilled job or prove a certain level of earnings but the acceptance of earnings from a combination of sources has allowed many to stay despite not being in skilled work (see paragraph 1.12).

Adapting to changing circumstances

1.8 The Department has made over 15 changes to the points criteria and around 150 changes to job titles on the Shortage Occupation List since the System was launched; partly in response to changes in the economy and policy environment and partly due to a lack of data at the planning stages; in particular:

- There was little information on the qualifications, earnings and skilled occupations of previous migrants with which to compare the new scheme, including whether the precursor to Tier 1, the Highly Skilled Migrant Programme, was a success.

- National or survey information on employers' skills requirements and workforce vacancies was too high-level in most cases for the Migration Advisory Committee to use. Evidence supplied directly by employers was crucial, although this meant the Committee had to judge a range of qualitative evidence including the extent to which employers said they had sought the skills they needed from within the European Economic Area.
- 1.9** The main changes to the points for Tier 1 (highly skilled) have generally tended to increase the importance of earnings and reduce reliance on formal qualifications. For Tier 2 (skilled occupations) the main changes have been to amend and redefine a large number of engineering, science and health specialisms on the shortage occupation list; to allow, for legal and policy reasons, migrants already working in the UK under Tier 2 to extend their visa even if their job would no longer qualify as 'skilled'; and to alter the salary and experience requirements for vocational jobs such as skilled chefs and care workers.
- 1.10** In addition to the definitional issues encountered, early operation of the System exposed design flaws relating to the robustness of the various tests and rules against abuse, leading the Agency to make over 30 changes to the System to tighten controls (discussed in Part Three).

Meeting the needs of employers

1.11 We examined whether the Agency had delivered against the objective of attracting the migrants with most to contribute. Available data suggest that the System has attracted skilled applicants and generally met the needs of employers although, in relation to Tier 1, the evidence is not robust. The Agency believes that because conditions of entry under the System are tougher compared to the previous main routes, requiring for example, an English Language qualification and awarding points for degrees and previous salary, the skill levels of migrants is likely to be higher.

1.12 Estimates of the proportion of Tier 1 migrants employed in skilled work vary, ranging from 46 to 66 per cent. The Agency's recent analysis of Tier 1-related applications found that, of those whose occupational status could be determined (just over half the sample), only 46 per cent were in skilled employment rising to 58 per cent when post-study work route applicants are excluded. The Agency's survey of Tier 1 migrants, however, carried out in 2009, found that 66 per cent (846 respondents) reported that they worked in managerial, professional and associate professional positions. Our random sample of 70 Tier 1 General applications made in the UK supported a figure in this region, finding that 63 (+/- 12) per cent worked in skilled or highly skilled occupations.

1.13 To assess the fit between jobs taken by Tier 2 migrants and known national priorities, we compared occupations for the 120,000 certificates of sponsorship assigned to migrant employees (see paragraph 2) with the Shortage Occupation List and the UK Commission on Employment and Skills (UKCES) recent assessment of the most critical skill shortages facing the UK.⁴ **Figure 3** shows the number of Tier 2 migrants by occupational category and the priority accorded to each occupation. We found that, at most, some 28 per cent of Tier 2 migrants take up skilled positions which are in acute or high priority national shortage although, because the occupational descriptors from each source do not match exactly, this is an overestimate. In some occupations, however, the presence of skilled migrants may be preventing a national skills shortage.

Figure 3

Main occupations of Tier 2 migrants from implementation to September 2010

Occupations	Certificates of sponsorship assigned ⁴			On MAC Shortage Occupation list	On UKCES red priority skills list ²
	With job offer	Intra-company transfers ¹	Total ³		
IT, software professionals	2,000	32,000	34,000	No	No
Nurses	7,300	0	7,300	Theatre and neonatal intensive care	Specialised nurses and therapists
Medical practitioners e.g. doctors and surgeons	5,300	0	5,300	Some consultant and acute specialisms	Some specialisms
Chefs, cooks	5,000	0	5,000	Skilled chef	No
Care assistants and home carers	4,200	0	4,200	Senior care worker	Yes
Managers, ICT	400	3,600	4,000	No	Mainly commercialisation roles
Finance and investment analysts/advisers	1,900	2,000	3,900	No	No
Consultants, actuaries, economists, statisticians	1,100	2,600	3,700	No	No
Managers, marketing and sales	800	2,200	3,000	No	No
Researchers, scientific	2,800	100	2,900	No	Yes

⁴ *Skills for Jobs: Today and Tomorrow – The National Strategic Skills Audit for England 2010 – Volume 1: Key Findings pp 33-34, UK Commission for Employment and Skills, March 2010.*

Figure 3

Main occupations of Tier 2 migrants from implementation to September 2010 continued

Occupations	Certificates of sponsorship assigned ⁴			On MAC Shortage Occupation list	On UKCES red priority skills list ²
	With job offer	Intra-company transfers ¹	Total ³		
IT strategy and planning professionals	300	2,600	2,900	No	Yes
Technicians, IT operations	200	2,200	2,500	No	No
Researchers	2,000	0	2,100	No	No
Directors/chief executives of major organisations	300	1,700	2,000	No	Yes
Teacher, secondary education	1,900	0	1,900	Maths and science	Science and technology
Accountants, chartered and certified	700	1,100	1,800	No	No
Clergy	1,500	0	1,500	No	No
Technicians, IT user support	200	1,300	1,500	No	No
Teacher/lecturer in higher education	1,400	100	1,500	No	Science, technology and business
Managers and chartered secretaries, financial	200	1,200	1,500	No	Yes
All other occupations	18,200	13,600	31,900		
Total³	57,900	66,000	123,900		

NOTES

- 1 Intra-company transfers allow staff to transfer between branches of multi-national companies for up to five years and to bring in dependents. Migrants who applied before 6 April 2010 are eligible to apply for settlement after five years.
- 2 UKCES' skills priorities definitions are 'Red' for immediate action required, 'Pink' for important but non-critical skills and 'Amber' for medium priority skills. 'Pink' priority skills do not feature in the occupations listed above.
- 3 Totals may not add exactly due to rounding.
- 4 Certificates of sponsorship represent jobs offered but not all are followed by a migrant application.

Source: National Audit Office

1.14 We found some evidence that the System is attracting workers with higher skill levels. From our case sampling, we found that successful Tier 2 migrants applying for an advertised position from outside the UK (see **Figure 4**) had higher salaries than those applying from within⁵, many of whom were already employed under previous schemes. To the extent that salary reflects skill, this suggests new applicants have higher skill levels than those who first entered the UK under previous schemes. Our sampling also showed that applicants for shortage occupations, who worked predominantly in catering, health and social care, were not as well paid as other migrants illustrating the importance of the Shortage Occupation List as a means of supplying these skills.

Figure 4

Employment sector and salary of migrants applying through different Tier 2 sub-tiers

Route	Median salary (£)	Predominant occupational sectors ² (percentage of sampled migrants in sub-tier employed in sector)
Tier 2 Intra-company transfer (for within company temporary moves)	38,000	IT Consultancy (55%) Banking and Finance (30%)
Tier 2 Advertised job, overseas application	30,600	Health (20%) Academia (16%)
Tier 2 Advertised job, in-country application	26,000	Health (40%)
Tier 2 Shortage Occupation, overseas application	19,500	Catering (35%) Health (22%)
Tier 2 Shortage Occupation, in-country application	19,200	Health (32%) Social care (30%)

NOTES

- 1 Table includes occupation sectors that over 15 per cent of migrants in sub-tier are employed in.
- 2 Not all salary differences are statistically significant. Based on samples of 50 Tier 2 sub-category applicants.

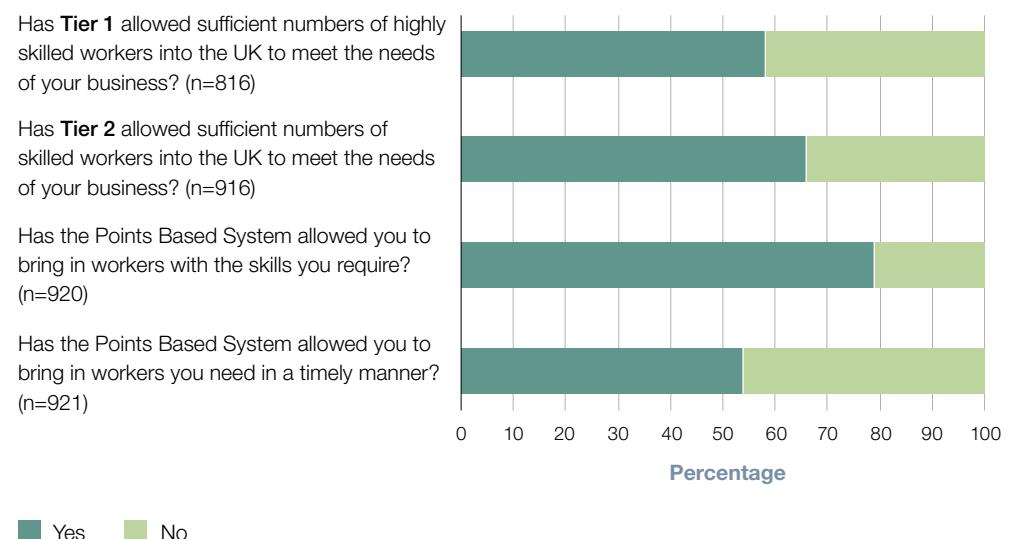
Source: National Audit Office analysis of migrant casework database

5 Statistically significant at p<0.018.

1.15 The System appears to have met successfully most employers' needs. Most sponsors responding to our survey reported that the System, as it was operating before the Agency imposed temporary limits in summer 2010, allowed them to bring in the numbers and quality of migrant workers they needed in a timely manner (**Figure 5**). At least a third, however, wanted to recruit more skilled foreign workers than they were able to. Since 2008, the Agency has worked with other Government Departments to share information and develop plans to raise the skills of resident workers to meet shortage occupation list vacancies.

Figure 5

Sponsoring employers' views on whether the Points Based System has met their needs



Source: National Audit Office survey of sponsoring employers

1.16 Recent changes to the System have further tightened the conditions for entry and the Government is also considering closing the post-study work route into Tier 1. From 6 April:

- Tier 1 will be restricted to 1,000 ‘exceptional individuals’, and investors and entrepreneurs;
- except for intra-company transfers (see below) and those earning £150,000 or more, Tier 2 will be limited to 20,700 people a year and Tier 2 General applicants will require a degree level job offer;
- the Shortage Occupation List will be retained; and
- no limit will be introduced on Tier 2 intra-company transfers (for workers transferring to a UK branch of an international organisation) but the minimum salary level, for those staying more than 12 months, will be raised from £17,000 to £40,000.

Raising the bar to employing migrants could cause difficulties in some sectors as the Government acknowledges in its Skills White Paper⁶, which states explicitly that employers in hospitality and care will need to do more to recruit and train resident workers.

Implementation of the Points Based System

1.17 To meet the requirements of the System, in 2005 the Department set up a programme to develop supporting IT systems, caseworking processes, rules, guidance and forms at a cost of £35 million. The programme had a chequered history, starting poorly but finishing well. The original business case forecast savings of £224 million (net present value) over 15 years, based on the assumption that all existing caseworking systems, home and abroad, would be replaced. When, in 2007, caseworking systems were taken forward as a separate programme on a later delivery schedule, forecast savings fell to £65 million. The Office of Government Commerce gave an amber rating at its first assessment in 2005.

1.18 In late 2006, the scope of the programme was unclear while the Department decided whether to delay the caseworking element of the programme. To try to deliver on time, the Programme Management team decided to limit competition for the IT development work to its three existing IT suppliers and to move commercial arrangements and software development ahead of formal approval. In April 2007, when the Home Office General Investment Group finally gave approval for the programme, it did so on the basis that development costs were reduced by a third, leading to a further reduction in scope.

1.19 Programme outcomes suffered because:

- The IT elements of the programme were delayed from the start mainly because the winning supplier (Fujitsu) was trying to design a complex system whilst legal, policy and business requirements for the system were still being resolved. The Agency also believes that Fujitsu underestimated the complexity of the project and did not have the right staff in place for a fast start-up, although this is disputed by Fujitsu.
- To save time and money, the Agency stripped out planned functionality from the System; for example: its capability to flex the points requirements and to extract management information. These changes increased its reliance on Fujitsu to make changes to the system.
- The Agency paid Fujitsu £4 million for work it had carried out in 2007 developing applications which were not used.

The Office of Government Commerce commented in June 2008: “*The programme suffered from serious failures in IT supply in the Autumn of 2007 and although pragmatic measures have been taken to re-phase the project which achieved a successful (but de-scoped) launch in February 2008, the programme is still in recovery with many aspects requiring remedial work, proper integration and firmer control.*”

1.20 The Agency worked hard to meet tight deadlines for other aspects of implementation, including preparation and piloting of application forms and guidance and staff training. Policy guidance to staff has improved in clarity since the System was launched.

Part Two

Providing efficient processes and value for money for stakeholders

2.1 The Agency intended the Points Based System to deliver a simpler, more objective and easier to administer application process with increased customer satisfaction with the end-to-end experience. The Agency is monitoring the expected benefits from the System (**Figure 6**) but is unable to show, as yet, that it is more efficient than previous systems. The Agency estimated efficiency savings of £65 million over 15 years when the System was introduced but has not collected the data to calculate whether there are actual financial benefits derived to date.

Figure 6

UK Border Agency's assessment of the efficiency and customer satisfaction benefits achieved from the Points Based System

Benefit Title	Status	Comment
A more efficient application process with reduced time taken to process applications	Red	Targets not reached but the trend is rising
A more efficient system and processes with increased caseworker productivity	Amber	No clear trend
A more objective and transparent immigration system increasing certainty of outcome	Amber	No clear trend
Increased customer satisfaction with end to end experience	Amber	Insufficient data on migrants but sponsor satisfaction increased since 2009

NOTE

1 The red, amber, green rating system demonstrates progress towards delivering the intended benefits.

Source: UK Border Agency

Improving efficiency to benefit the taxpayer

Financial performance

2.2 The Agency charges for processing sponsorship and migrant applications. In setting its fees, the Agency takes account of the overall policy goals; fees charged in other countries; predicted volumes of applications and its estimate of the unit cost per application. To receive Parliamentary approval, fees must be set at a level to reflect the benefits likely to accrue to the applicant and, for 2009-10, HM Treasury set a ceiling of £145 million for surplus fee income across all routes after covering administrative costs. Total fee income for Points Based System work routes in 2009-10 was £119 million but total associated expenditure is not known. The Agency does not have administrative cost information by visa type from its 67 posts that decide on applications because, unlike in the UK, staff overseas work on a wide variety of visa types. **Figure 7** shows the Agency's UK income and expenditure for the work routes for 2009-10.

Figure 7

In-country expenditure and fee income for Points Based System 2009-10

Workstream	Expenditure (£'000)	Fee income (£'000)	Surplus income (£'000)
Tier 1 applications	27,500	52,800	25,300
Tier 2 applications	14,500	12,800	-1,700
Tier 5 applications	200	50	-150
Total applications¹	42,200	65,700	23,500
Sponsor licenses ²	14,800	4,600	-10,200
Certificates of sponsorship	1,000	12,200	11,200
Total sponsorship^{1, 2}	15,800	16,800	1,000
Total	58,000	82,500	24,500

NOTES

1 Totals may not add up due to rounding.

2 Includes licences where businesses wish to sponsor students as well as employees.

Source: National Audit Office analysis of UK Border Agency data

2.3 In 2009-10, the Agency achieved in the UK a surplus through work route-related fee income of £24 million or an average £235 per application, which goes to support compliance and other activities, such as enabling student and temporary worker fees to be set below cost-recovery levels to support wider Government objectives. The Agency, however, could increase its surplus by reducing its costs through increased efficiency.

Efficiency and productivity

2.4 The Agency's day-to-day performance management focuses on managing the throughput of cases and ensuring quality of decision-making. The main target for its UK processing centres for in-country applications, based in Sheffield and Croydon, is to process 75 per cent of migrant applications within 4 weeks. On the other hand, 90 per cent of overseas applications should be completed in three weeks and 100 per cent in 12 weeks.

2.5 The Agency has had mixed success in meeting its targets for speed of decision-making for migrant applications. Performance on Tier 1 has been the most variable but, generally, has improved over time. **Figure 8** identifies the main reasons for significant drops in performance. Caseworkers in Sheffield have a target to decide, on average, five cases a day; whilst the Independent Chief Inspector of the UK Border Agency⁷ found that, in the two overseas offices visited, Entry Clearance Officers were expected to process a minimum of 30 cases a day and in one area up to 65 cases. Most of this disparity is likely to be because overseas work is organised differently with junior staff taking on greater roles before and after the Entry Clearance Officer has made the final decision on the application. Nevertheless, the Agency acknowledges that there is scope to improve the efficiency and productivity of its in-country caseworking. In 2011, the Agency is introducing caseworker time recording to Sheffield; setting benchmarks for how long each element of the process should take to enable the Agency to identify inefficient working and improve productivity.

2.6 High levels of management checks cause a loss of productivity in Sheffield. Managers estimated that they spent 65 per cent of their time reviewing cases, checking all refusals and a minimum of a fifth of approvals. The aim is to provide assurance that decisions are correct and to avoid tribunal appeals and administrative reviews by ensuring that the process followed is also absolutely correct.

⁷ *A Thematic Inspection of the Points Based System: Tier 2*, Office of the Independent Chief Inspector of the UK Border Agency, February 2011, page 14.

Figure 8

Percentage of in-country migrant applications decided in four weeks or less

**NOTE**

1 Tiers 2 and 5 commenced in December 2008.

Source: National Audit Office

2.7 The Agency plans to improve the System's efficiency through a replacement caseworking IT system, the Immigration Case Work programme, to be rolled-out in 2011-12. Currently, for example, UK migrant caseworkers must carry out a large number of checks of different databases, each requiring separate log-ins. Detailed observations by the Agency of three caseworkers put this figure at 10 minutes, or an extra 20 per cent of an hour-long case. Managers told us, however, that on average, database checks added 26 minutes to the time required per case. The Immigration Case Work Programme aims to improve efficiency through:

- fully electronic caseworking using online application forms and scanned documents;
- a single document management centre where documents will be scanned and held unless originals are specifically requested by caseworkers;
- some checks performed automatically before applications reach caseworkers;
- much reduced requirement for caseworkers to access external databases; and
- improved management information.

2.8 The Agency also intends to bring its sponsor licensing database into the Immigration Case Work programme to improve its maintenance and consider the scope for enhancement. Currently the database is not user-friendly or reliable and cannot be accessed by the Agency's sponsor visiting officers to help plan their visits. Overseas Entry Clearance Officers have had access to the database, for helping decide Tier 2 applications, since 1 October 2010 only.

Providing value for money to applicants

Migrants

2.9 The Agency is keen to understand migrants' experience of the System. It surveyed Tier 1 applicants in spring 2009 and Tier 2 and 5 applicants in spring 2010. Fee rates (see **Figure 9**) appear to represent good value for money to migrants; the Agency has no evidence of migrants being put off applying by the fee levels and only 6 per cent of Tier 1 applicants said they had problems paying the fee.

2.10 One of the purposes of a transparent and objective system is to reduce the number of speculative applications and refusals. To aid these outcomes, the Agency provides an online points calculator to allow applicants to assess their eligibility and assistance on how to make a correct application.

2.11 The Agency makes information available to potential applicants through its website in the UK and multiple websites overseas. Applicants reported that the online points calculator was easy to find and useful and, with the exception of local embassy or mission websites, the Agency's websites were easy to navigate. Applicants also found the Agency's guidance helpful, particularly on the UK website. In the Agency's surveys, however, between 17 and 29 per cent of applicants were unclear what supporting documentation was required.

Figure 9

Fees charged for migrant applications as at January 2011

Tier	Applying by post in UK (£)	Applying in person in UK (£)	Applying outside UK (£)
Tier 1 (general ¹ , entrepreneur and investor)	850	1,150	750
Tier 1 (post-study work route)	550	850	344
Tier 2	500	800	350
Tier 5	130	600	130

NOTES

- 1 Reduced fees are in place if transferring from the previous Highly Skilled Migrant Programme.
- 2 Fees are reduced for nationals of Croatia, Turkey and FYR of Macedonia, these countries have ratified the 1961 Council of Europe Social Charter.

2.12 Around half of applicants telephone the Agency's helplines for assistance; however they often struggle to get through. Thirty six per cent of Tier 2 applicants said that it took five or more attempts to get through to the UK-based call centres and 20 per cent said it took five or more attempts to get through to overseas call centres. The Agency's performance in answering calls to its main in-country call centre, for all types of applicant, has improved from an average 24 per cent of calls answered in 2009, to 57 per cent in 2010 and 67 per cent in January 2011. Of applicants who do get through, over 80 per cent said the assistance was helpful and the Agency's overseas call centres reported 85 per cent customer approval ratings in January 2011.

2.13 In 2009-10, the Agency rejected some 8 per cent (8,500) of in-country applications and refused some 12 per cent (23,800) of all applications. From our review of cases, the commonest reason for refusal, affecting 22 of the 43 refusals in our sample, was the applicant's failure to provide sufficient information or supporting evidence. The volume of errors and omissions by applicants led the Agency, in August 2009, to introduce a policy of 'evidential flexibility' which allows caseworkers to go back to applicants for missing documentation or to correct minor errors. The Agency has not, however, evaluated whether the policy is effective or being applied fairly. In response to the Chief Inspector's⁸ findings of a lack of consistency in the implementation of evidential flexibility overseas, the Agency formalised its guidance to overseas posts in February 2011. We also found inconsistency of approach in Sheffield however. In addition, the Agency allows only three working days for applicants to submit extra documents. Caseworkers told us that documentation is frequently received after the application has been refused but the Agency was unable to quantify this.

Sponsors

2.14 Just over half of sponsors, according to those who responded to our survey, pay their sponsored employees' application fees in addition to sponsorship fees (see **Figure 10** overleaf). Three-quarters, however, said that the Agency's fees represented good value for money in relation to the benefit their organisation derived from being able to bring in skilled workers.

2.15 When asked about the quality of service sponsors receive from the Agency, respondents were more negative. Overall about a quarter would be prepared to pay more for a better service. Very few respondents (6 per cent) would be prepared to accept a lower standard of service in return for a lower fee, with many saying that they did not see scope for a lower standard of service. The aspects of service, from the Agency's and our survey, most important to sponsors are speed of decision-making and the availability of consistent accurate advice.

2.16 The Agency has performed poorly on the whole against its target for processing sponsor licence applications, processing since June 2009 between 30 and 90 per cent of applications within its 4 week target. In 2010, the Agency changed its processes and increased the resources applied to sponsor licensing to reduce backlogs; performance improved but work on the interim limits affected performance in summer 2010 (**Figure 11** overleaf).

Figure 10

Fees charged for sponsorship as at January 2011

	Small sponsors ¹ or sponsors with charitable status (£)	Medium or large sponsors (£)
Application fee for initial registration for sponsor licence:		
Tier 2 only	300	1,000
Tier 5 only	400	400
Tiers 2 and 5	400	1,000
Fee to sponsor an individual under Tier 2	170	170
Fee to sponsor an individual under Tier 5	10	10
Fee for a compliance action plan for 'B' rated sponsor to meet requirements for re-grading to 'A'	1,000	1,000

NOTES

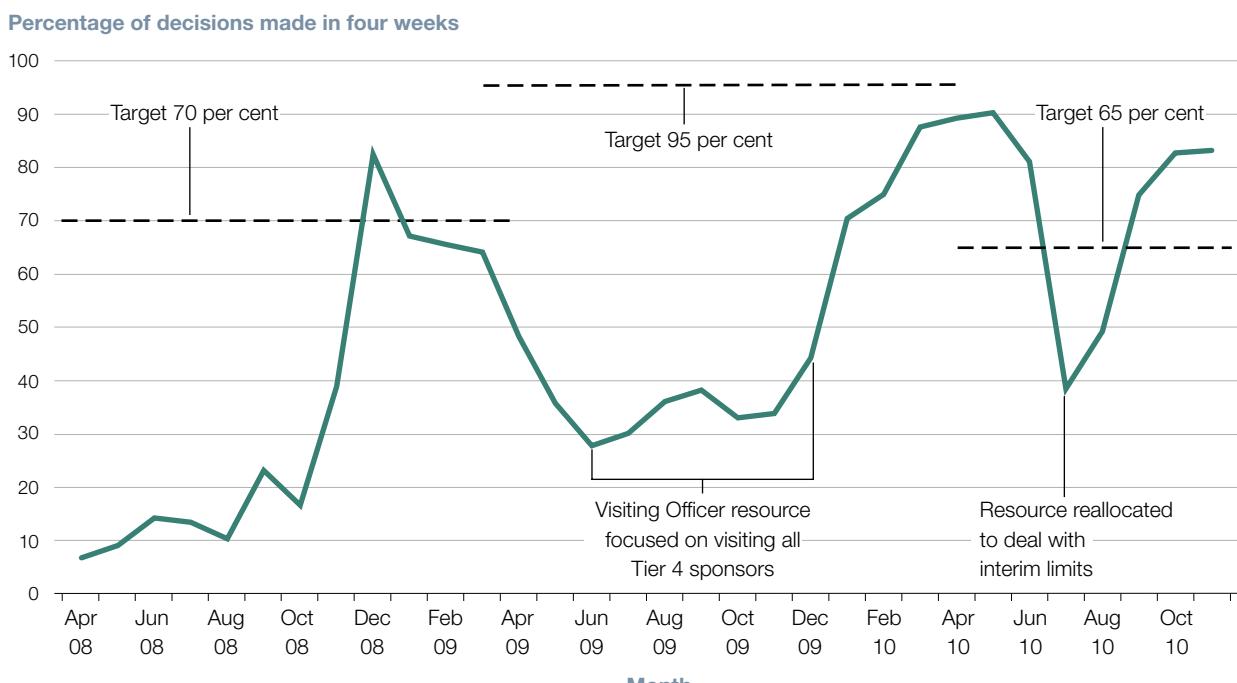
1 As defined by the Companies Act 2006 and the 2008 amendment to that Act.

2 Legally, sponsorship fees cannot exceed the cost of delivering the service.

Source: UK Border Agency

Figure 11

Proportion of sponsor licence applications processed in four weeks or less



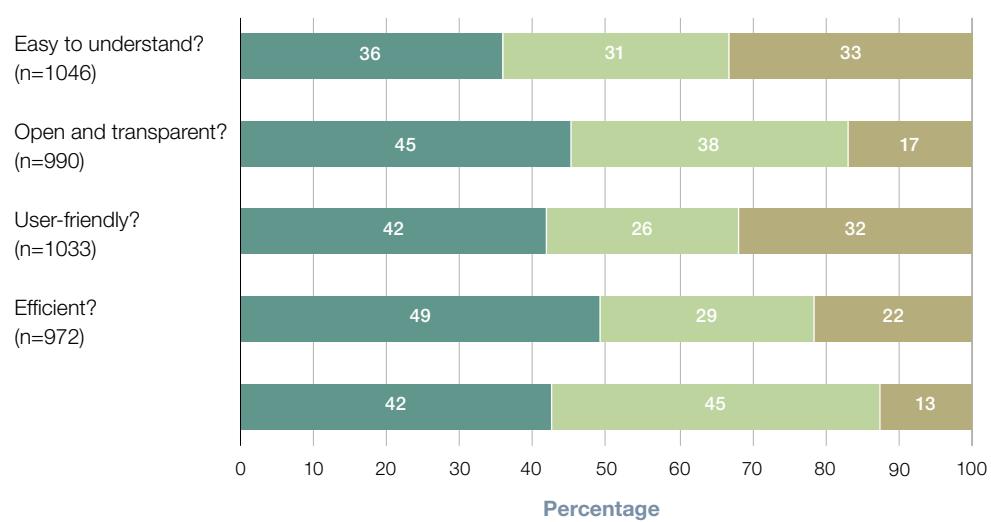
Source: National Audit Office

2.17 Some sponsors need more help with their licence applications than the System is designed to provide. In the Agency's survey of sponsors, for example, 23 per cent of respondents said it was not easy to find the guidance they needed on the Agency's website, 15 per cent said that it was not clear what supporting evidence they had to provide and 48 per cent would pay more to have a single point of contact or personal account manager within the Agency. Up to December 2009, the Agency managed to answer only 58 per cent, on average, of calls from sponsors and monthly performance varied from 37 per cent to 79 per cent of calls answered. In 2010, however, performance improved and, by January 2011, the Agency was answering 89 per cent of sponsors' calls.

2.18 Overall, sponsors prefer the System to the previous work permits system and 49 per cent agree that it is more efficient (**Figure 12**).

Figure 12

Sponsors' views of the Points Based System compared to the previous work permits system



NOTE

1 Survey conducted by UK Border Agency in February to March 2010.

Source: National Audit Office analysis of UK Border Agency survey data

Part Three

Protecting resident workers and preventing abuse

3.1 A central objective of the Points Based System is to improve compliance with immigration rules and reduce the scope for abuse. The main changes introduced are:

- increased staff resources for external verification of documents and employer visits;
- a duty on sponsoring employers, of which there are 21,876, to:
 - have procedures in place to monitor compliance with the immigration rules, such as up to date records of their employees' contact information;
 - inform the Agency within ten working days of any breaches by the migrant, such as leaving the job or not attending work;
 - pay migrant employees the amount declared on the Certificate of Sponsorship; and
- a sponsor rating system ('A' (compliant) and 'B' (not fully compliant)) providing penalties and incentives to encourage sponsors to comply.

3.2 The Agency believes that placing greater responsibility on sponsors for policing the System has improved compliance but it cannot provide a comprehensive or accurate assessment of how well the System is meeting its compliance objective. Of 24 measures it defined to assess the success of the Points Based System programme, four relate to compliance but only one of these is currently measurable.

3.3 To ensure good compliance the Agency must:

- have systems for identifying and acting on risks that are timely and robust;
- be able to rely on the documents and tests it requires of applicants; and
- have assurance of sponsors' compliance.

Acting swiftly to prevent abuse

3.4 The Agency has teams and resources in place to provide the necessary elements of control and has shown itself willing to take action when it has evidence of abuse. At the Agency's request, for example, the Migration Advisory Committee reviewed the operation of Tiers 1 and 2 in 2009 leading to changes to the points criteria aimed at protecting resident workers better. And, since launching the System, the Agency has made over 30 changes to guidance and rules to strengthen controls.

3.5 The Agency's lack of robust and useful management information, however, has impaired its ability to detect and assess systematic abuse and to target its own resources effectively. For example, the Agency cannot easily and quickly obtain population-wide statistics on:

- different forms of abuse suspected or detected;
- the number of sponsor visits carried out each month and the results by category; e.g. pre-licence, post-licence, 'B'-rated action plan, high risk, unannounced (although on 1 October 2010, the Agency set up a central register of visits);
- migrants whose visas have expired but are still in the UK, or whose visas are coming up to expiry; and
- migrants whose employment is terminated and whose leave to remain should be curtailed.

3.6 The Agency has a dedicated intelligence team of 23 officers for the System which gathers and analyses information from a range of sources including its overseas risk and liaison officers, caseworkers and sponsor visit reports. However, the Agency perceives the work routes to be lower risk than the student route and most of the team's investigative capacity has been used to tackle abuse of this route.

3.7 The Agency conducts a monthly review of intelligence risk and has a Risk Profile team which assesses the risk associated with specific routes and types of companies or occupations, based on abuse patterns associated with the previous Work Permits regime. For example, in 2008-09, this team identified risks relating to the intra-company transfer route which the Agency sought to reduce through additional checks of government and Agency databases to confirm company bona fides and migrant history. The Agency does not routinely capture and report the success of its risk profiling work and additional checks.

3.8 Staff we spoke to felt that the Agency prioritised income generation over compliance and control, possibly because of the Agency's focus on correct and speedy processing of cases (see paragraph 2.4). The Independent Chief Inspector of the UK Border Agency agreed.⁹

⁹ *A Thematic Inspection of the Points Based System: Tier 2*, page 31.

3.9 Except for individuals identified as ‘high harm’¹⁰, the Agency has not taken enough systematic action to ensure, where it can, that migrants leave the UK when they are no longer entitled to remain. This has been due partly to a lack of exit checks, making it difficult to identify overstayers, and to IT systems which cannot identify individuals needing to renew their visas. The Agency estimates there may be up to 181,000 migrants in total (not just entering through the System) in the UK whose permission to remain has expired since December 2008. It expects to revise this estimate downwards, however, following matching with new data being provided by its e-Borders project. In March 2009, its case ownership team for the North East, Yorkshire and the Humber region started to contact refused applicants to explain that they should leave. The team reports that it has encouraged around 2,000 migrants to leave voluntarily since then. The Agency is now rolling this out to other regions.

Verification of migrant applications

3.10 The primary role of the Agency’s caseworkers is to assess applications correctly by the rules. The Agency has a formal quality target that at least 91 per cent of economic and family migration decisions made in the UK should be free from procedural and typographical error. There is no comparable target or quality assurance framework in place at overseas offices. Based on its examination of around 30 per cent of cases in Sheffield, the Agency assesses its performance in 2010 (to 31 December 2010) as over 96 per cent error free, an improvement on previous years’ performance of 83 per cent in 2008-09 and 88 per cent in 2009-10.

3.11 In August 2010, the Independent Chief Inspector examined 293 cases (97 from Sheffield and 98 cases from both Manila and Mumbai) and concluded: ‘*the quality of decisions was generally good with decisions being made in accordance with Immigration Rules and UK Border Agency policy guidance*’.¹¹

3.12 Verifying the facts presented by applicants can be difficult or, sometimes, impossible. In an Agency survey in May 2010, 64 per cent of caseworkers said verifying salaries with HM Revenue and Customs was fairly or very difficult and 51 per cent found verifying supporting documents difficult. The Agency has verification teams in Sheffield and at overseas posts to whom caseworkers can refer suspect cases, but has no national lead on tackling issues around false supporting documentation. Since April 2010, the Sheffield team identified false supporting documentation in 45 per cent of work route-related referrals, mainly Tier 1, but overall numbers of referrals were low, only 94 cases. Verifications teams overseas detected 26,000 forgery cases in 2010, however only 4 per cent (1158) involved work-route applications, indicating that there is a lower risk of forged documentation within work routes than in student, family and visitor routes.

10 i.e. offenders convicted of serious criminal offences.

11 A Thematic Inspection of the Points Based System: Tier 2, page 20.

3.13 The Agency has not assessed the risk that its plan to use a national centre to screen and scan documents for in-country applications will pose to its ability to verify supporting documentation. The Sheffield verification team told us that being able to assess the print process from the original document was a vital part of their ability to detect copies and forgeries.

3.14 Even where official documentation is not forged, it does not always prove what it is intended to. For example, migrants can borrow money to prove that they have funds to maintain themselves in the UK, claim inflated self-employed earnings or get a false reference to prove their experience. Caseworkers refer any concerns to intelligence or sponsor management colleagues to inform their risk assessments.

Assuring sponsor compliance

3.15 To December 2010, the Agency had revoked or suspended (pending appeal) some 2 per cent of sponsor licences. It is, however, unable to provide reliable quantified evidence on whether remaining sponsors are effectively meeting their responsibilities. The proportion of sponsors rated 'A' (compliant) is 96 per cent but this measure cannot be relied upon because the Agency visited only 15 per cent of sponsors before licensing them. The Agency had intended to carry out pre-licence visits to 40 per cent of employers on a risk basis but did not have the visiting officer capacity and productivity to achieve this. The Agency cannot determine how many of its sponsors, of any type, have yet to receive an initial visit. Nor can it say how many of its post-licence visits identified compliance problems. The Agency does not have a national target or plan for completing initial visits to sponsors. Currently it is visiting over 20 per cent of new sponsor applicants and, in 2010, took action against 613 sponsors.

3.16 The Agency employs 128 visiting officers in regional offices but until 1 October 2010 it did not know how many visits they had carried out. Most visits are requested centrally by staff in Sheffield aimed mainly at higher risk sponsors, currently assessed as new start-ups, hospitality and catering and private healthcare businesses although only new start-ups receive a mandatory visit. The Agency's regional offices also deploy visiting officers according to local priorities using their own risk-based approaches. The Agency has found it difficult to manage this 'dual-control' system and is exploring outsourcing sponsor visits altogether to improve their number and quality. A pilot project in 2008-09 identified that significant productivity improvements were possible if regional teams were deployed more efficiently, primarily by more lone working and fewer unnecessary pre-visit checks. At the time of the project, average visiting officer productivity was 1.75 visits per officer month; in one region we visited it is currently around 9 visits per officer month, still well short of the 16 visits which the project recommended could be achieved.

3.17 The role and status of the Agency's visiting officers is unclear. Whilst, the Agency expects high professional standards of work, it offers little discretion to its officers in the checks they must perform at sponsor premises. Officers' role in relation to giving advice to sponsors is unclear and there are no specific assessment criteria for judging whether a sponsor is fully, partially or non compliant. On the visits we attended, officers offered advice as well as carrying out checks and used their professional judgement on whether to recommend a sponsor's licence be downgraded from 'A' to 'B' or revoked. This judgement, however, had to be confirmed by Sheffield's Sponsor Management Unit on the basis of the officer's written report. This double checking adds to the Agency's workload and reflects the conflict between central and local control.

3.18 The Agency has not evaluated the effectiveness of the Resident Labour Market Test. Under the previous regime, employers had to submit proof of their attempts to find resident workers to the Agency before they could recruit overseas. Now, the Agency checks that employers have performed the test correctly through sponsor visits. The test requires employers to advertise positions through Jobcentre Plus and a national publication for four weeks (raised from two weeks in 2009) before sponsoring a migrant worker. Sponsors' views of the value of the test vary: seven in ten respondents to our survey told us the test worked effectively to confirm that there are no resident workers available for a post but a minority also said that Jobcentre Plus was not the right place to advertise some positions.

Appendix One

Methodology

The main elements of our fieldwork took place between September and December 2010. The detailed methodology is available on our website at www.nao.org.uk/points-based-immigration-2011

Method	Aim
1 Review of key documents We reviewed key documents produced by the Agency, the Migration Advisory Committee and other government and independent organisations.	To inform our understanding of the System and managed migration more generally including the UK's skills requirements.
2 Case file review of migrant applications We reviewed a sample of 510 randomly selected cases including Tier 1 general, post-study work route, investors and entrepreneurs; and Tier 2 shortage occupations, resident labour market test and intra-company transfers, covering a range of applications from in-country and out of country.	To assess the time taken to decide cases and to ascertain the skills levels of migrants and whether they work in areas of national skills shortages.
3 Review of casework processes We followed the processes for deciding applications for Tiers 1, 2 and 5 and for sponsor licensing and management.	To identify scope for efficiency savings.
4 Internet survey of sponsors We conducted a web-based survey of all 19,775 Tier 2 sponsors, of whom 938 responded.	To obtain sponsors' views on how well the System functions and how it could be improved.
5 Analysis of the Agency's data, including: <ul style="list-style-type: none"> ● Responses to surveys of applicants, sponsors and staff. ● Management information. 	To ascertain the views of applicants and staff and supplement the results from our survey of sponsors. To calculate key statistics for the Agency's performance.
6 Observation of Visiting Officers We accompanied visiting officers on six inspection visits.	To ascertain the role of visiting officers and inspection visits in advising sponsors and ensuring compliance.



Design and Production by
NAO Communications
DP Ref: 009540-001

This report has been printed on Consort 155 and contains material sourced from responsibly managed and sustainable forests certified in accordance with FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation which ensures that they have effective procedures in place to manage waste and practices that may affect the environment.

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & Email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries: 0870 600 5522

Order through the Parliamentary Hotline

Lo-Call 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

£15.50

TSO@Blackwell and other Accredited Agents

Customers can also order publications from:

TSO Ireland

16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401

