National Identity Service Cost Report
May 2009

Presented to Parliament pursuant to Section 37 of the Identity Cards Act 2006

Home Office

**Identity &
Passport Service**

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IDENTITY CARDS ACT 2006 – SECTION 37 REPORT TO
PARLIAMENT ABOUT THE LIKELY COSTS OF THE ID
CARDS SCHEME

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1
Introduction

1.1 The National Identity Service

The Identity Cards Act received Royal Assent on 30 March 2006. It establishes in statute the framework for a National Identity Service. This Service will be available to everyone aged 16 or over who is legally resident in the United Kingdom for a specified period, likely to be three months or more.

Section 37 of the Act requires the Government to lay before Parliament at least every six months an estimate of the public expenditure likely to be incurred on the Service over the following ten years. This is the sixth such report to be laid before Parliament. This Cost Report is based on a number of key assumptions and is the best possible estimate of the cost of the National Identity Service at this time.

As with any cost estimates covering a ten year forward period, there are considerable uncertainties. The estimates in this report are therefore subject to change in the light of new information or assumptions and there is a significant probability that the estimates will change in the light of further experience.

IPS is in the advanced stages of procurement activity to deliver the capabilities for the National Identity Service. These procurements followed the award of the National Identity Service 'Strategic Supplier Group' framework in May 2008. With the planned letting of contracts in 2009, future Cost Reports will reflect these supplier quotes and contractual agreements. Where cost variations have arisen since the publication of the last

Cost Report, these are described later in this document.

This Cost Report presents gross costs, the majority of which will be covered by income from products and services. We have not included an estimate of this income as this depends on the future fee strategy which is currently being developed, as well as the emerging market in Identity Services.

1.2 National Identity Scheme Delivery Plan 2008

The National Identity Scheme Delivery Plan 2008 was published by the Home Office in March 2008. This document sets out how the Government will deliver the National Identity Service, how the Service will work and how it will be operated.

The Delivery Plan updates the Strategic Action Plan published in 2006, which was the basis of the Cost Report issued in November 2007. The plans remain consistent, but have been refined in two key ways:

- We are taking a twin track approach to delivery, to meet more quickly the key objectives of the Service to both increase public protection and make life easier

- We will increase the choices available to people in various aspects of the Service.

The Delivery Plan can be accessed via the IPS web site at: www.ips.gov.uk/identity/downloads/national-identity-scheme-delivery-2008.pdf.

The proposed approach and key milestones contained in the Delivery Plan are the basis for the cost estimates contained in this report.

1.3 Developments over the last 6 months

Since the publication of the last Cost Report, work to prepare for the implementation of the National Identity Service has continued. In particular, over the past six months:

- UK Border Agency (UKBA) launched identity cards for foreign nationals on 25th November, building on the successful enrolment pilot which ran from April 2008. UKBA has pledged to issue 75,000 cards by November 2009. The Service is already delivering benefits – 9 people have already been prosecuted for 'Leave to Remain by deception'

- In December 2008, IPS announced decisions on bidders involved in detailed contract discussions. The contracts just awarded in April 2009 for 'Application and Enrolment' and 'National Biometric Identity Service' have not increased these total costs. The contracts for 'Passport Design and Production' and 'Card Design & Production' will be awarded later in 2009

- In a speech at the Social Market Foundation on 6th November 2008, the Home Secretary Jacqui Smith announced progress on the delivery of identity cards and named Manchester and London City

Airports as the airport operators who will be part of the first phase of the identity cards rollout for UK nationals

- IPS published the Front Office Services (FOS) Prospectus that sets our vision of the role of public and private sector organisations in providing biometric enrolment and related customer-facing services

- IPS launched a public consultation on draft secondary legislation under the Identity Cards Act 2006. Inviting comments from anyone who wishes to take part, the consultation ran for twelve weeks and closed in February 2009, prior to wider parliamentary scrutiny during 2009

- IPS launched secure videolink technology to allow first time passport applicants to be interviewed by trained staff hundreds of miles away in smaller communities and islands in Scotland, England and Wales.

1.4 Foreign nationals

Identity cards for foreign nationals are the first part of the National Identity Service and are being rolled out so all new entrants and those extending their stay will have a card within three years.

This will help keep our borders strong, and will provide additional protection against illegal immigration and illegal employment. The card provides evidence of the holder's nationality, identity and status in the United Kingdom. It will provide information that will help public agencies, employers and educational establishments easily understand the entitlements for individual migrants.

Identity cards for foreign nationals are building on existing technology in place to protect the UK from illegal immigration. Already we've fingerprinted more than 3.6 million people and identified over 5,200 cases of identity fraud. Frontline staff working in France and Belgium, have over the past five years stopped over 88,500 attempts by people trying to enter the UK illegally, around 61,000 of those were in Calais. The hi-tech electronic borders system – e-Borders – also allows UK Border Agency staff to capture passenger information in advance of travel to or from the UK for analysis. So far this technology has screened over 82m passenger movements, leading to more than 2,900 arrests, for crimes including murder, drug dealing and sex offences.

UKBA has already started issuing cards to those non EEA foreign nationals extending their stay in the UK as students and under marriage / civil partnership immigration categories. From 31 March this was extended to cover extensions to leave in the UK in the following extensions immigration categories:

- Academic visitors for leave of more than 6 months

- Visitors for private medical treatment

- Domestic workers in a private household

- UK Ancestry

- Retired persons of independent means

- Sole representatives (overseas employees recruited by an overseas company to act as their sole representative in the UK).

Additionally, those applying whilst in the UK for a transfer of existing conditions from a passport or other such document will also receive an identity card instead of a stamp or vignette, if their application is successful.

Cost estimates for bringing foreign nationals into the National Identity Service are set out in Section 3 of this report.

2
Cost estimates for British nationals

The legislation requires the Secretary of State to lay before Parliament a rolling ten year forecast of cost. To ensure clarity we present here costs for the period set out in our last Cost Report and detail alterations to the methodology, adjustments for increases and decreases in costs, and modifications to the time period and the inflation assumptions.

2.1 Previous estimates of cost

The costs reported in the previous Cost Report were as follows:

Table 1: Estimated total resource costs of providing passports and ID cards to British and Irish citizens resident in the UK for October 2008 to October 2018 (as reported in November 2008)

Cost Area	Cost for British and Irish citizens resident in the UK
Set up	£280m
Operational	£4,505m
Total	£4,785m

These costs are shown at 2008/9 prices and include provision for optimism bias (as defined by the Treasury Green Book) and contingency.

Since the publication of the November 2008 Cost Report, the volumetric estimates for passport issuance in 2009/10 have been revised downwards. The impact of this change is a net decrease of £15m in 2009/10. The cost estimates for British and Irish citizens resident in the UK for other years remain unchanged whilst we await the outcome of supplier negotiations.

The impact of these changes on the figures published in November 2008 is shown below.

Table 2: Estimated total resource costs of providing passports and ID cards to British and Irish citizens resident in the UK for October 2008 to October 2018, including changes to the cost estimates

Cost Area	Cost for British and Irish citizens resident in the UK
Set up	£280m
Operational	£4,490m
Total	£4,770m

These costs are shown at 2008/9 prices and include provision for optimism bias (as defined by the Treasury Green Book) and contingency.

2.2 Current estimates of cost

Tables 1 and 2 above cover the period October 2008 to October 2018 and are presented in 2008/9 prices. The requirement for this Cost Report is to present costs for the ten years from publication, i.e. April 2009 to April 2019 in 2009/10 prices. To update table 2 to show the current cost estimates, the following changes are made:

Table 3: Estimated total resource costs of providing passports and ID cards to British and Irish citizens resident in the UK for April 2009 to April 2019

	Base year	Cost for British and Irish citizens resident in the UK
Revised Cost Estimates (as per table 2)	08/09	£4,770m
Change from 08/09 to 09/10 prices	09/10	£135m
Deduct 1/2 year Oct 08 Apr 09	09/10	(£200m)
Add 1/2 year Oct 18 to Apr 19	09/10	£240m
Current Cost Report	09/10	£4,945m

The set-up and operational cost breakdown for the current estimates is shown below.

Table 4: Estimated total resource costs of providing passports and ID cards to British and Irish citizens resident in the UK for April 2009 to April 2019

Cost Area	Cost for British and Irish citizens resident in the UK
Set up	£245m
Operational	£4,700m
Total	£4,945m

These costs are shown at 2009/10 prices and include provision for optimism bias (as defined by the Treasury Green Book) and contingency.

As with any cost estimates covering a ten year forward period, there are uncertainties. The estimates in this report are therefore subject to change in the light of new information or assumptions and there is a significant probability that the estimates will change in the light of further experience. In particular, it should be noted that costs reflect the estimated outcome of a number of competitive tendering processes which are currently underway. In addition, the cost estimates reflect a number of key assumptions around the number of applications for passports and/or identity cards, the operation of the enrolment processes, and achievable levels of staff productivity, all of which may well change in the light of more detailed work and practical experience.

The cost estimates presented above include:

- All resource set-up and operational costs

- Capital costs which are reflected in the above costs through annual depreciation charges

- The cost of the Identity Commissioner[1] for completeness

- £75m of VAT that is unrecoverable to IPS but retained by HM Treasury[2].

The cost estimates presented above exclude the costs falling to other organisations using ID cards to verify identities. The decision to use ID cards will be based upon the benefits and costs that fall to each organisation.

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1 Known as the National Identity Scheme Commissioner in legislation
2 VAT is not levied on the passport and will not be levied on ID cards. Unrecoverable VAT refers to VAT paid to suppliers for the development and operation of parts of the infrastructure, which cannot be recovered from HM Treasury and therefore must be recovered from fees for identity cards, passports and services provided for organisations to verify a person's identity.

The estimates are gross costs and do not reflect income from fees and charges. Currently the costs of passport production are met from fee income. The future development of a Fee Strategy will set the parameters for income and thus the net costs of providing passports and ID cards.

2.3 Further cost analysis

The figures in Table 4 above show how the estimated costs of the Service comprise set-up and on-going operating costs. The cost estimates of the Service can also be analysed between those specifically relating to the passport or ID card and those costs in support of both, known as common costs. These costs can also be analysed over the ten year Cost Report period. This analysis is shown in Table 5.

Table 5 also indicates the volume of passports and identity cards predicted to be issued each year over the Cost Report period.

The full cost of registering individuals for passports and ID cards is included

in common costs because the same technology infrastructure and business processes will be used. In many cases, the same application will result in the issue of both a passport and an ID card.

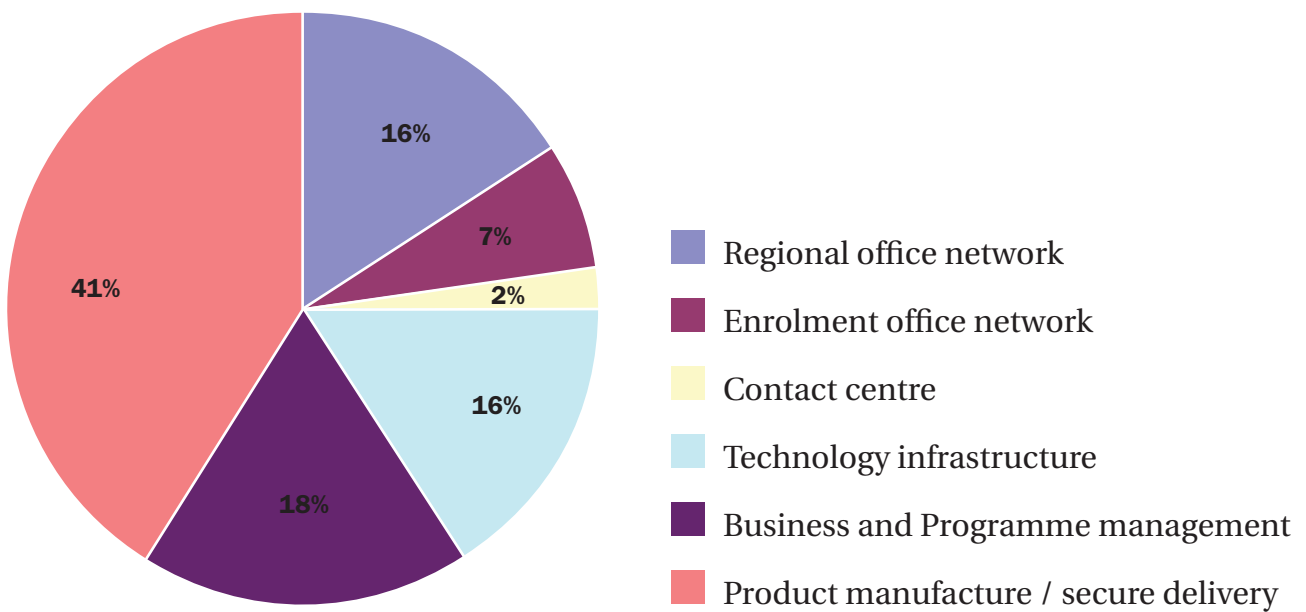| Cost area	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	Total
Common passport & identity card	£275m	£260m	£280m	£285m	£280m	£265m	£255m	£250m	£240m	£235m	£2,625m
Passport specific	£90m	£115m	£95m	£95m	£100m	£110m	£110m	£110m	£100m	£85m	£1,010m
Identity card specific	£50m	£55m	£100m	£150m	£120m	£160m	£165m	£170m	£165m	£175m	£1,310m
Total	£415m	£430m	£475m	£530m	£500m	£535m	£530m	£530m	£505m	£495m	£4,945m
Product volume (millions)	5.0	5.4	5.9	7.9	10.5	12.5	12.9	13.1	12.3	11.2	96.7

Table 5: Estimated annual resource costs of providing passports and ID cards to British and Irish citizens resident in the UK for April 2009 to April 2019

2.4 Cost make-up

The implementation of the Service will result in IPS focussing on key business areas. This is illustrated in the following chart which identifies that the largest business area, in terms of cost, will be the manufacture and distribution of biometric passports and identity cards (41%). The cost of the necessary technology infrastructure will account for less than a fifth (16%) of all costs. The wholly "customer-facing" functions of enrolment offices and the customer contact centre will account for 9% of all costs.

Percentage expenditure by cost area April 2009 to April 2019

- Regional office network
- Enrolment office network
- Contact centre
- Technology infrastructure
- Business and Programme management
- Product manufacture / secure delivery

3
Cost estimates for foreign nationals

Amongst other things, the Identity Cards Act provides the means to incorporate the functionality of an ID card into official documents such as immigration documents via a power known as designation. The Act does not impose any obligation to apply for a designated document or an ID card. The UK Borders Act 2007 provides powers to require third country foreign nationals (i.e. from outside the European Economic Area) to apply for ID cards (known in legislation as biometric immigration documents). The power is being exercised incrementally via secondary legislation which will specify particular categories of foreign national who will be required to apply for ID cards. In due course these will be designated under the Identity Cards Act powers which will mean that they have the functionality of an ID card and the holder will also be subject to obligations such as registering changes of address with the National Identity Service.

The resource cost estimates for rolling out ID cards to foreign nationals under current planning assumptions are shown below. These planning assumptions broadly reflect the roll out strategy for identity cards for foreign nationals[3], which was issued in March 2008. The costs comprise the current estimated costs of implementing identity cards for foreign nationals between 2009 and 2019. Under current planning assumptions new applicants will be covered within three years of starting roll out. By the end of 2014/15 90% of all non EEA foreign nationals will have an ID card.

The UK Border Agency are rolling these out to replace the current vignette-based residence permits[4] and to supplement paper-based visas with secure, biometric cards for visa holders and migrants who apply to extend their leave to remain in the UK. The costs include the cost of issuing ID cards to those foreign nationals subject to immigration control who are already settled in the UK.

To ensure clarity, we present costs for the period set out in the last Cost Report and detail subsequent adjustments for changes in costs, the revised roll out strategy and modifications to the time period.

3.1 Previous estimates of cost

The costs reported in the previous Cost Report were as follows:

Table 6: Incremental estimated resource costs for providing ID Cards to foreign nationals applying to extend their leave in the UK from October 2008 to October 2018[5]

Cost Area	Cost for foreign nationals
Set up	£39m
Operational	£287m
Total	£326m

These cost estimates are shown at 2008/9 prices and include provision for optimism bias (as defined by the Treasury Green Book) and contingency.

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3 "Introducing compulsory identity cards for foreign nationals" can be found at http://www.bia.homeoffice.gov.uk/sitecontent/documents/managingourborders/compulsoryidcards/

4 A vignette is a sticker that is affixed to an applicant's passport or travel document.

5 Figures are for the current estimated costs for the provision of Biometric Immigration Documents to non-EEA foreign nationals applying to extend their leave to remain in the UK within the October 2008 – October 2018 period; this does not represent full coverage of all foreign nationals in the UK.

In updating the cost assumptions since the publication of the previous Cost Report, there have been no significant changes in assumptions regarding the number of foreign national ID cards we will be issuing. The costs of using secure mail delivery and the costs of additional fingerprint checks against police databases have now been added. This increases the overall security of the system. These changes to cost estimates result in a real increase of £46m over the ten year period.

These costs will be fully recovered through charges to the foreign nationals to whom cards are issued. The impact of these changes on the figures published in November 2008 is shown across.

Table 7: Incremental estimated resource costs for providing ID Cards to foreign nationals applying to extend their leave in the UK from October 2008 to October 2018, including changes to cost estimates

Cost Area	Cost for foreign nationals
Set up	£40m
Operational	£332m
Total	£372m

These cost estimates are shown at 2008/9 prices and include provision for optimism bias (as defined by the Treasury Green Book) and contingency.

3.2 Current estimates of cost

Tables 6 and 7 above cover the period October 2008 to October 2018 and are presented in 2008/9 prices. The requirement for this Cost Report is to present costs for the ten years from publication, i.e. April 2009 to April 2019 in 2009/10 prices.

To update table 7 to show the current cost estimates, the following changes are made:

Table 8: Incremental estimated resource costs for providing ID Cards to foreign nationals applying to extend their leave in the UK from April 2009 to April 2019

	Base year	Cost for foreign nationals
Revised Cost Estimates (as per table 7)	08/09	£372m
Deduct 1/2 year Oct 08 Apr 09	09/10	(£9m)
Add 1/2 year Oct 18 to Apr 19	09/10	£16m
Current Cost Report	09/10	£379m

The set-up and operational cost breakdown for the current estimates is shown below.

Table 9: Incremental estimated resource costs for providing ID Cards to foreign nationals applying to extend their leave in the UK from April 2009 to April 2019

Cost Area	Cost for foreign nationals
Set up	£35m
Operational	£344m
Total	£379m

These cost estimates are shown at 2009/10 prices and include provision for optimism bias (as defined by the Treasury Green Book) and contingency.

These costs will be recovered through charges to the foreign nationals to whom cards are issued. The costs are for all resource set-up and operational costs. Capital set-up costs are reflected in the costs above through annual depreciation charges.

The estimates include the costs of:

- Application processing functions and interview offices where biometrics will be recorded in the UK

- Incremental cost of issuing identity cards to visa holders

- The contact centre which responds to queries and books appointment slots and the UK Border Agency business and programme management functions

- Setting up the expanded common functions required

- Production of blank cards

- Personalisation of cards for customers

- Costs of securely delivering cards to those extending their stay in the UK

- Costs of additional fingerprint checks against police databases for those extending their stay and those already settled in the UK, and

- Costs associated with designating biometric immigration documents as identity cards, for example, costs arising from the need to maintain data on the National Identity Register such as registering changes of address.

The costs exclude:

- Casework carried out by the UK Border Agency in the normal exercise of its immigration control functions and any casework that might arise from issuing cards to the settled population

- Existing costs of the UKvisas biometrics programme

- Existing costs of issuing biometric Application Registration Cards (ARC) to asylum seekers

- Future costs of issuing ID cards to EEA nationals, and

- Identity checking services (apart from the ongoing development of the UK Border Agency's current arrangements for checking the status of foreign nationals).

As with all cost estimates covering a ten year period, the estimates in this report are subject to change in the light of new information or assumptions. There is a significant probability that the estimates will change in the light of further experience.

In particular, it should be noted that costs are subject to the completion of a number of competitive tendering processes and reflect the current view of the outcome of those processes. In addition, the cost estimates are based on a number of key assumptions about the entry of foreign nationals into the National Identity Service, the details of application processes and achievable levels of staff productivity, all of which may well change in the light of more detailed work and practical experience.

Delivery of value for money is at the heart of our expenditure decisions. The Identity and Passport Service and UK Border Agency will continue to look for opportunities and expect to reduce costs. This could include joint delivery of services such as application and enrolment and card production.

Appendix 1.
The Identity Cards Act 2006

The Identity Cards Act 2006 establishes both the purposes of the Service and the context within which it can be used. The Service must provide a secure and reliable means for individuals in the United Kingdom to be able to prove their identity. It will also enable key basic facts about an individual to be checked or ascertained where it is necessary and in the public interest.

For the purposes of the Act, something is necessary and in the public interest if it is:

    a) In the interests of national security

    b) For the purposes of the prevention and detection of crime

    c) For the purposes of the enforcement of immigration controls

    d) For the purposes of the enforcement of provisions on unauthorised working or employment

    e) For the purposes of securing the efficient and effective provision of public services.

A register of individuals will be established. This will be called the National Identity Register (NIR). The security and reliability of the NIR will be ensured by the Secretary of State. The Register will hold key identity information such as name, date, place of birth and gender. It will also hold details of addresses and documents already held by the card-holder such as passports or immigration documents. Each person's identity will be secured by the registering of a number of biometric identifiers, such as fingerprints and facial images. The recording of iris biometrics is also an option. The biometric information will make it much easier to detect attempts to record duplicate identities. As part of a number of methods offered to verify a person's identity, the introduction of biometrics will also enable individuals, when appropriate, to easily prove their identity to a high degree of assurance by providing a biometric for verification against the biometric recorded when the ID card was issued.

The Act allows the Service to be rolled out by 'designation' of other Government-issued documents, such as the passport or immigration documents. This means that from the date of designation anyone applying for a designated document will be required to have their data entered into the Register. They will then receive an ID card (those applying for a passport before 1 January 2010 could opt not to be issued with a card). This system of designation will help to ensure that the Service is rolled out in a manageable and efficient way.

The Act also allows for the provision of information from the Register to authorised individuals. This will primarily be with consent, for example, when an individual is opening a bank account and gives the bank permission to confirm his or her identity. Information will only be provided without consent to organisations such as the police and security services that are specified on the face of the Act. Information without consent could also be provided to accredited public organisations such as government departments where that has been approved by Parliament through further secondary legislation.

An Identity Commissioner, known as the National Identity Scheme Commissioner in legislation, is to be appointed in order to keep the operation of the Service under review. The Commissioner's role will include reviewing the arrangements for ensuring the Service's integrity and confidentiality and the arrangements for dealing with complaints. The Commissioner will also report to the Secretary of State on these issues and these reports will be published to Parliament.