



The LSE Identity Project : third report : Home Office accounting

Department of Information Systems

LSE has developed LSE Research Online so that users may access research output of the School. Copyright © and Moral Rights for the papers on this site are retained by the individual authors and/or other copyright owners. Users may download and/or print one copy of any article(s) in LSE Research Online to facilitate their private study or for non-commercial research. You may not engage in further distribution of the material or use it for any profit-making activities or any commercial gain. You may freely distribute the URL (<http://eprints.lse.ac.uk>) of the LSE Research Online website.

You may cite this version as:

Department of Information Systems (2006). *The LSE Identity Project : third report : Home Office accounting* [online]. London: LSE Research Online.

Available at: <http://eprints.lse.ac.uk/archive/00000693>

This is a copy of a report produced by the Department of Information Systems © 2006 London School of Economics and Political Science. Original available at <http://is2.lse.ac.uk/idcard/>

THE LSE IDENTITY PROJECT

Third Report

Home Office Accounting



Despite the scale and significance of the proposed Identity Card Scheme, the government has revealed little detail about the likely costs and benefits. This report makes use of Home Office reports and statements in Parliament by Ministers to reconstruct the accounting of the scheme over the years of deployment.

Taking into consideration

- **the £93 fee for passport and ID card,**
- **the costs of potential verifications against the National Identity Register; and**
- **the estimated benefits arising from a national identity scheme for the Home Office,**

we found that the Home Office accounts will have an estimated £1.81 billion cumulative deficit by 2018 for the combined passport-ID scheme. The Home Secretary has referred to such deficits as 'a small contribution from public funds, which is the only amount that could be spent on other things'.

These figures seem to indicate a number of problems still exist.

- **There are still no reliable figures for enrolment rates.**
- **Significant benefits of the scheme will not begin to be realised for many years.**
- **The Home Office will probably have to raise the costs of the combined passport and ID card to break even.**
- **Alternatively, to maintain a sustainable scheme, the Home Office ID Card Team will have to greatly increase the number and/or cost of verifications beyond current projections and/or impose significant accreditation charges on private companies and other organisations wishing to use the Register.**
- **The deficit will likely hamper the development of other Home Office programmes.**

Finally we suggest that the process of combining the ID and passport for the purpose of accounting does not prove to be beneficial to either programme. Indeed if the Home Office insists on the biometric passport but drops the compulsory issuance of the ID Card, this could free up £1.8bn for other programmes over the next ten years.

Introduction

In our main report released in June 2005 we reviewed the Identity Card Scheme in its totality and estimated the likely costs to implement the scheme in accordance with its strategic objectives. In doing so we considered the costs to other government departments, and questioned the Home Office's assumptions (technological, social and legal) about the scheme. The Home Office responded by arguing that we made the wrong assumptions regarding their assumption, and by stating emphatically that the operating costs of the scheme would be limited to £584m per year.

For our research status report of January 2006 we had hoped to update our estimates and further shed light on the assumptions made by the Home Office. However we were unable to do so due to the continuing lack of openness from the Home Office regarding their assumptions about design and costs. We outlined the inconsistencies, the conflicts, and the further evidence of uncertainty on a number of components of the scheme.

In this report we analyse the Home Office's reports and claims regarding *its own* accounting for the scheme. We have accumulated all the publicly available reports from the Home Office and analysed all the statements made in the course of Parliamentary debate. The purpose of this report is to make sense of the Home Office's accounting for the project, particularly in light of growing unease regarding the claims of certainty in costing a scheme involving such uncertain techniques, technologies, and gains. We use Home Office figures and we make our assumptions explicit in order to shed light on some of the consequences of the Home Office Identity Card Team's decisions. We believe and accept that there is a lot of uncertainty in this domain and, if the Home Office is prepared to clarify any of our assumptions, we welcome any of the steps by the Home Office to further inform this policy process.

First Discrepancy: Take-up and Benefits

We remain surprised that even as this scheme has been in Parliament for over a year so much uncertainty remains, and even some discrepancies in terms of official statements. Over the past year the Home Office has made a number of statements regarding their estimates of the projected rollout of the identity cards scheme and its costs. The Home Office also established that the fee to each card holder is £30, though the full charge for a passport and ID card is £93. The estimated running costs are set at £584m. The Government argues that 70% of these costs are required by the biometric passport scheme, so the costs of running the ID card scheme alone is minimal. According to Charles Clarke:

I have just published overall figures for verification and all the other services, but three sources of income will deal with the charges. The first is the fees themselves, which is why I said that fees would make up the giant's share, rather than a call on public funds. The second is a small contribution from public funds, which is the only amount that could be spent on other things—as is widely alleged—and the third is income that could be derived from contracts with organisations that use the database. Those are important factors, which is why [...] I think the figure will end up being less than £584 million, although I think that is a firm and strong estimate.¹

¹ Hansard, 13 February, 2006 : Column 1119.

We are trying to discern the nature of the 'small contribution' and the 'contracts with organisations that use the database'.

We also take into consideration the Home Office's articulated benefits to the scheme and the enrolment rate.² In its statement of benefits, the Home Office presents its views on the likely take-up of the scheme by citizens and other government departments, which in turn leads to benefits. The following graphics were included in the benefits overview document:

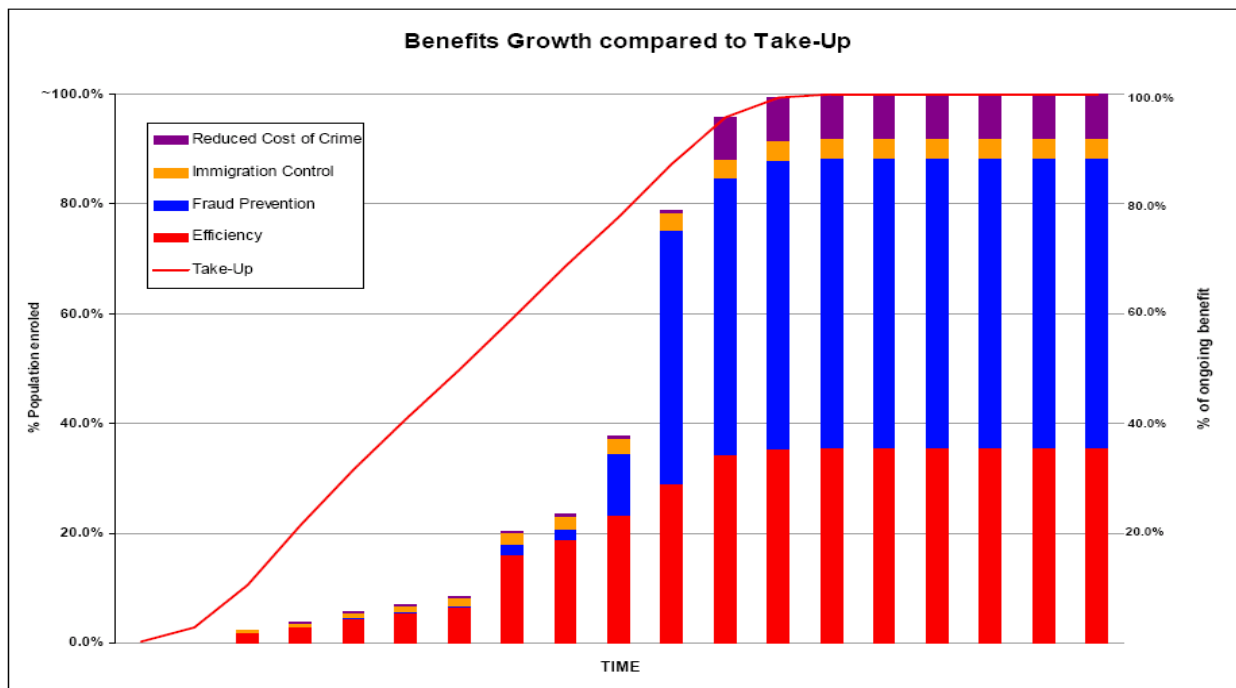


Figure 1. The graphic was presented in the Home Office June 2005 report to show the take-up by citizens and the benefits that would likely be achieved.

When the report was issued we were left to presume that the bars referred to specific years. The graphic presumes that within 11 years the take-up will be 100%. This is meaningless without some form of compulsion, as the scheme is only to be rolled out by registering all UK passport holders, who comprise 80% of the general population.

We were also unable to identify what was occurring in the first phase of the project and why the enrolment rate was slower than in the subsequent years. This can be explained either through assuming that compulsion would be enforced early on, or that the Home Office foresaw a voluntary registration scheme for passport applicants.

The second graphic in that report outlined the take-up of the scheme by other Government departments, focussing on the importance of take-up by the general population.

² Published on June 27, 2005 so as to inform the 2nd Reading Debate in the House of Commons. Available at http://identitycards.gov.uk/library/2005-06-27_Identity_Cards_Scheme_Benefits_Overview.pdf.

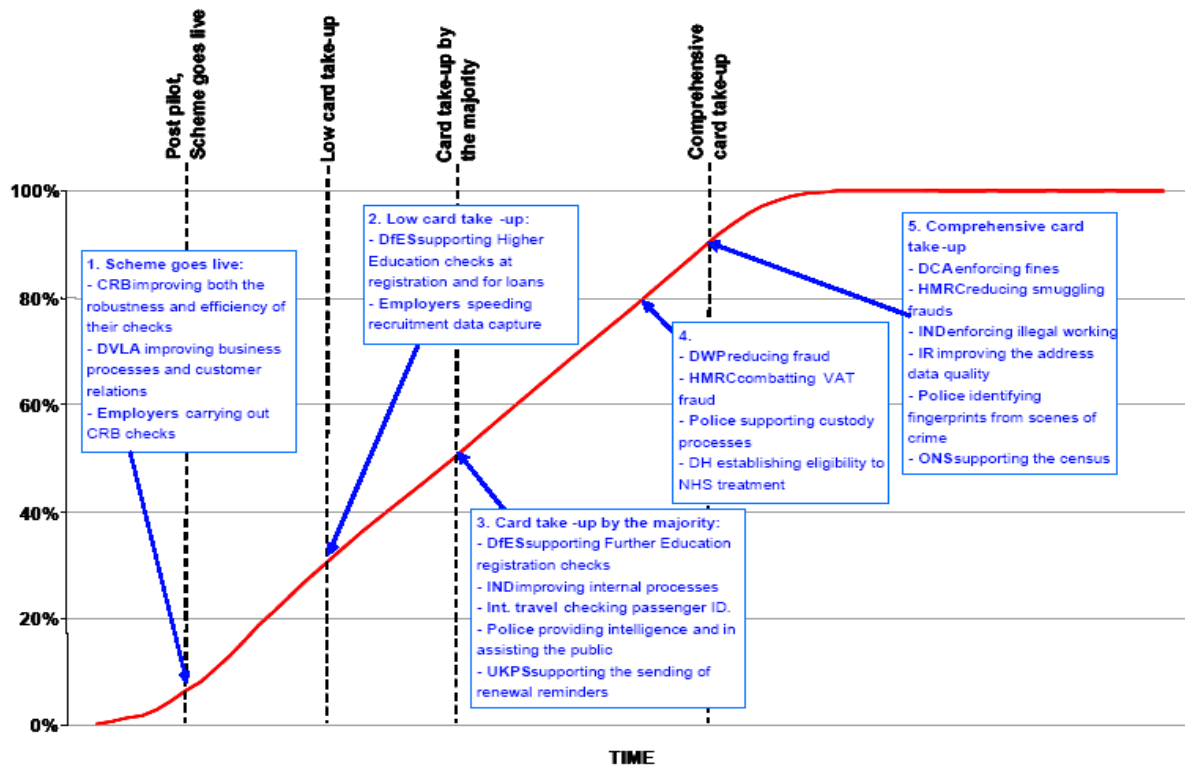


Figure 2. The graphic was presented in the Home Office June 2005 report to show the take-up by other Government departments.

Since then some further clarifications have emerged. On November 8, 2005 Home Office Minister Tony McNulty clarified that the dates on the above graphic were omitted because of uncertainty as to when the Bill would receive Royal Assent.

"The graph as it stands is flexible, as it represents annual movements in the benefits accrual. Therefore a reader of the graph could predict any start date for identity cards roll out, and then understand from the graph the progression of benefit accrual from that date."³

More recently, on February 15, 2006, Home Office Minister Andy Burnham was quoted in the media that the scheme would start a year late,⁴ setting the launch of the issuing process at 2009. This slippage in the timetable was attributed to the lengthy parliamentary process.⁵

The Home Office believes that the earliest benefits will arise from the use of the scheme by the Criminal Records Bureau (CRB), the Driver and Vehicle Licensing Agency (DVLA), and the Department for Education and Skills (DfES). These benefits are time dependent as they require the sign-up of these departments and a sufficiently large registration base.

Based on these clarifications we have combined the two graphics and added the likely dates.

³ Answer given to question posed by Lynne Jones, Hansard, 8 Nov 2005: Column 343W.

⁴ 'First identity cards delayed by a year', Jimmy Burns, The Financial Times, February 15, 2006.

⁵ Edinburgh Evening News, 'First ID cards to be a year late, admits minister', February 15, 2006.

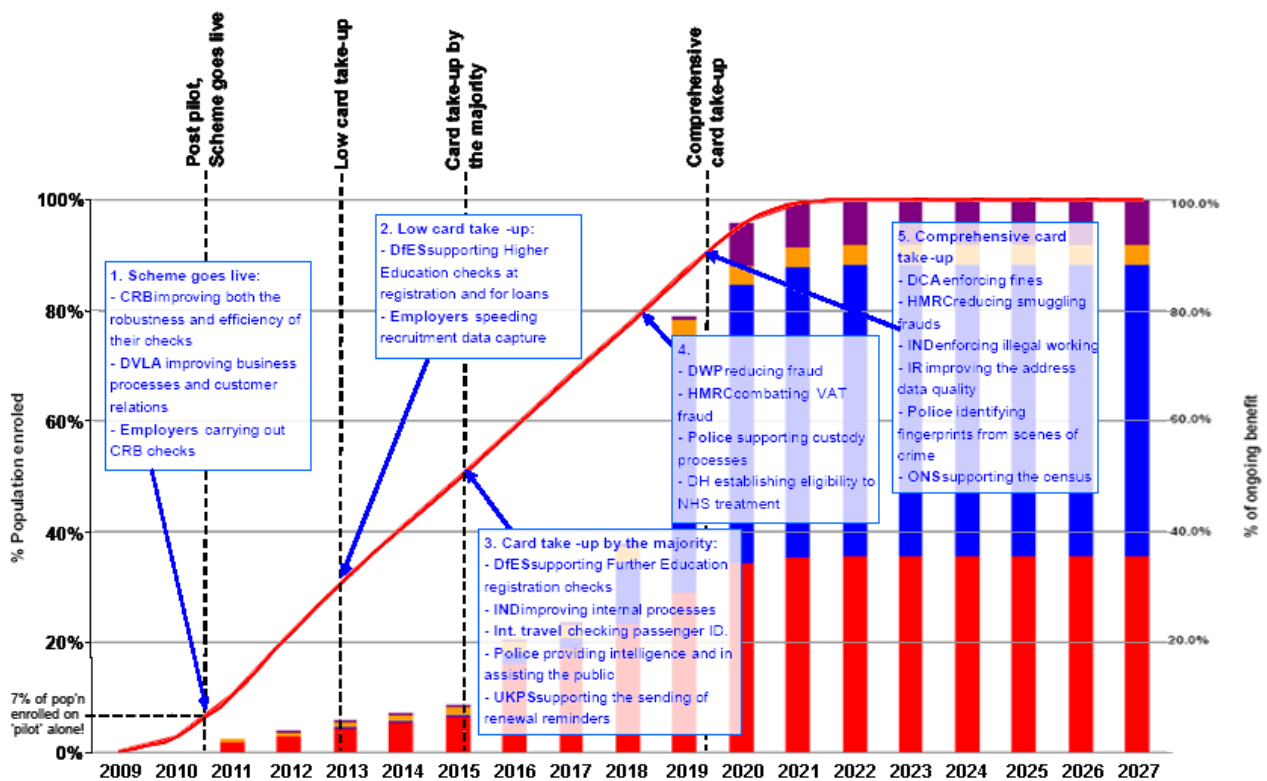


Figure 3. A combination of Home Office graphics outlining the take up by citizens, other government departments, and the benefits arising. Combining figures 1 and 2.

According to the above graphics the enrolment rate is initially slow but ramps up.

If we are to take these graphics as meaningful,⁶ then they raise a range of concerns about the information made available to Parliament for its careful scrutiny of the proposed scheme.

The labelling of the axes remains vague. The left axis of the graphic (shown as figure 1) is simply labelled "% of population enrolled". At a minimum, this should be % of eligible population enrolled as the Home Office is clear that even a compulsory ID cards scheme will only apply to individuals aged 16 and over. The Government Actuary's Division (www.gad.gov.uk), estimates that "the resident population of the United Kingdom at mid-2004 of some 59.8 million",⁷ with the total population rising to 63.8 million by 2018. Of these, 52.5 million will be aged 16 and over (and 8.8 million aged 70 and over). We must assume, therefore, that the left axis refers to the proportion of this 52.5 million people and doesn't include the other categories of individuals who will be included in the NIR, i.e. ID cards linked to residence permits and other immigration documents issued to foreign nationals.⁸

The smooth rollout that is foreseen is questionable as well. The main part of the "take up" curve is a straight line. This is consistent with Baroness Scotland's promises:

⁶ For example, Baroness Scotland of Asthal suggests they are, on 15 Nov 2005 (Column 989) states: "I gave the breakdown earlier and noble Lords can study this in greater detail in the benefits overview which we published in June."

⁷ <http://www.gad.gov.uk/Population/2004/methodology/basepop.htm>

⁸ The link with residence permits is explained by Baroness Scotland in Hansard, January 23, 2006, column 1007.

"The noble Baroness was right to anticipate what might happen in due course. As we have discussed, we will roll out the issue of identity cards incrementally as people naturally apply for or renew the documents that it is intended to designate, such as the passport for British citizens and residence permits for foreign national."⁹

Although the Baroness goes on to say that:

"It would not make sense if a new agency established to issue identity cards could not encourage such people to take up that opportunity—for example, by offering a discount on the combined fee for a passport and identity card for existent passport holders who wished to renew early."

This conflicts with a statement by the Home Secretary in response to a question asking "what incentives will be put in place to encourage people to apply for an identity card in advance of their passport coming up for renewal". Charles Clarke answered:

"There are no incentives currently planned to encourage people to apply for an identity card in advance of their passport renewal."¹⁰

Any voluntary enrolment onto the scheme prior to passport renewal would need to lead to a 'kink' in the take-up curve. Similarly, the area of the curve between 80% of the eligible population (passport renewals) and 100% of the eligible population (a three year period) seems to imply that compulsion will only come in 2018 (with 100% of the eligible population enrolled arising in 2021).

The pilot phase of the scheme as outlined on the graphic also requires some attention. According to the graphic, there is a two year pilot phase of the project, during which approximately 7% of the eligible population (3.7 million people) will be enrolled. It is unclear how this would be done. If it is based on passport renewals, then this would imply that only some of the passport renewals in 2009 and 2010 would be required to pay the extra £30 fee to become enrolled in the scheme. If it is not based on passport renewals, then this would imply that the combined passport and ID card enrolments will not come about until 2011.

Based on the slope in these Home Office graphics, the Home Office envisions an enrolment rate as follows.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ENROLMENTS/YEAR (M)			1.3	1.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
TOTAL ENROLMENTS (M)	0	0	1.3	3	6.8	10.6	14.4	18.2	22	25.8	29.6	33.4

Figure 4. Enrolment rate estimates according to Home Office June 2005 report.

But according to Baroness Scotland's statements in the House of Lords,¹¹ the foreseen enrolment rates

⁹ House of Lords Hansard, January 23, 2006, column 1007.

¹⁰ Parliamentary question posed by Mark Oaten, answered by Charles Clarke on October 10, 1005, column 173W.

¹¹ Baroness Scotland, Hansard, December 20, 2005.

are not for public dissemination. She did announce the UKPS rates for the years up to 2011,¹² and we extrapolate further.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PASSPORTS/YEAR (M)	4.3	4.1	3.8	4	4	4	4	4	4	4	4	4
TOTAL ENROLMENTS (M)	0	0	3.8	7.8	11.8	15.7	20	23.6	27.6	31.5	35.5	39.4

Figure 5. Enrolment rate estimates according to UKPS figures.

Confusingly, Baroness Scotland also repeated an estimate released by the Home Office in January 2005 stating that by 2012 and 2013 respectively the Home Office estimated 31m and 40m total registrations.¹³ But the Home Office documentation does not foresee even half of the potential passport-registrants (22 million) until 2015. If we are to take the June 2005 figures at face value as MPs and Lords were expected to, then **the only reasonable explanation for this discrepancy is that the Home Office intends an aggressive programme of designating other official documents before 2012/2013, as this is the only way in which they could so dramatically increase the total number of registrations by that date.**

Another possibility is that even at this late stage of the planning for the scheme the Home Office is uncertain as to how many individuals will be enrolled. For the purpose of this document, we use the figures projected by Baroness Scotland based on the passport application and renewal, using an average of 4m registrations per year from 2009. This results in 40m enrolments over ten years, which is approximately 80% of the 52m eligible population.

Second Discrepancy: Income from Verifications

We assume that the Home Office expects that take-up by these other departments will take place quite early on despite the fact that so few will be registered. These departments have not declared their plans as yet, and as Home Office Minister Andy Burnham stated, 'they are not running to us with cheques.'¹⁴ For example, the DVLA verifications against the NIR are expected when 7% of the population are enrolled (see figure 3).

The expected incomes in figure 6 are derived from publicly reported figures on the volumes of transactions. We estimated that the charge per verification would be £1.30, calculated using the average charge indicated by the Home Office Trade-Off Study.¹⁵

¹² Baroness Scotland released figures for new and renewed passports up to and including the figures for 2010. The total for 2010 was 3984,000 so we assumed that subsequent years would be 4m.

¹³ Parliamentary Question answer by Des Browne to Mark Oaten, January 20, 2005.

¹⁴ 'First identity cards delayed by a year', Jimmy Burns, The Financial Times, February 15, 2006.

¹⁵ The Home Office, 'An assessment of awareness and demand for the Identity Cards Scheme', October 2005, p.47.

	VERIFICATIONS PER YEAR	FEES GENERATED WHEN SCHEME IS FULLY DEPLOYED
CRB	2.25 million disclosures per year. Source: CRB Annual Report 2003/4.	£2.93m
DVLA	6.8 million driving licences issued per year. Source: Hansard, November 14, 2005, Column 892W.	£8.84m
DfES	405,369 students accepted onto higher education courses in 2005. Source UCAS in BBC article, January 19 January 2006.	£0.53m

Figure 6. Likely costs for three departments for verifications against the National Identity Register.

However until the scheme is compulsory, yearly verifications will remain a fraction of these amounts.¹⁶

The income to the Home Office from verifications is therefore relatively small in the early years. If the total of the fees from card holders and verification charges are insufficient then the Home Office will be running a deficit. We explore this discrepancy in the next section.

Projected Costs and Income for the Scheme

Based on the above, the Home Office's projected costs for running the scheme over the next ten years are presented below. First, the accounting for the combined passport and ID card scheme are as follows:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ENROLMENT												
ENROLMENTS/YEAR (M)			4	4	4	4	4	4	4	4	4	4
TOTAL ENROLMENTS (M)	0	0	4	8	12	16	20	24	28	32	36	40
SPENDING (£M)												
ANNUAL EXPENDITURE	377	377	584	584	584	584	584	584	584	584	584	584
CUMULATIVE TOTAL	377	754	1338	1922	2506	3090	3674	4258	4842	5426	6010	6594
INCOME (£M)												
INCOME FROM FEES	397	397	372	372	372	372	372	372	372	372	372	372
POTENTIAL INCOME FROM VERIFICATIONS	0	0	0	12	12	12	12	12	12	12	12	12
CUMULATIVE DEFICIT (£M)	-20	-40	172	372	572	773	972	1172	1372	1572	1771	1971

Figure 7. Summary of Home Office figures on enrolment, spending, income, and the resulting totals for entire passport+ID scheme.

¹⁶ We excluded the potential fees generated from employers who must verify the status of new employees. It is possible that considering 3.6m people change jobs each year (ONS, percentage from 2001 - http://www.statistics.gov.uk/articles/labour_market_trends/jobmobility_nov03.pdf (fig. 2, p 543)) an additional £4.68m could be generated but some of this may overlap with CRB checks, which we have included above.

'Enrolments' refers to the number of registrants placed on the National Identity Register through application for a passport. 'Annual expenditure' is the amount budgeted by the UKPS and the Home Office for the scheme. 'Income from fees' is the funds received by the Home Office from passport and ID applicants.

The above data was arrived at in the following ways:

- The costs for the 'annual spend' for 2007 and 2008 were kept at the current rate of expenditure on the scheme. We assumed that the Home Office is estimating that over these two years they will establish the National Identity Register for an additional £35m. The annual expenditures for this phase are set at £342m, in accordance with UKPS estimates,¹⁷ plus £35m for the first two years to establish the NIR.¹⁸
- Annual expenditure for the remaining period is at the oft-quoted £584m per year from 2009.
- The 'income from fees' was estimated at £93 per enrollee from 2009. For 2007 and 2008 the income for passports is set at £397m from the projections given by UKPS for 2006/2007.¹⁹
- Income for the subsequent years is calculated by estimating 4m registrants being charged £93.
- The 'potential income from verifications' comes from Criminal Records Bureau and DVLA checks factored in from 2010, DfES verifications from 2013, all dates according to annotations on the Home Office graphics.²⁰

Analysis

By 2014, when around 40% of the eligible population will have been Registered, the accumulated deficit will have grown to more than £1.17 billion. **By the end of the initial 10 year period, the Home Office deficit will have risen to over £1.97 billion.**

Assuming the price of the passport-card remains constant over the 10 year period, this would imply that the bulk of the cost of the scheme will have to be recovered from verification charges. This would require raising the charge for other government departments and the private sector for verifying data on the NIR. Home Office Market Soundings have indicated they estimate 4 verifications per person per year. When the scheme is fully deployed after 2021 and there are 52m card-holders²¹ then this results in the Home Office making between £119m and £480m per year from these other departments and companies, e.g. phone companies, banks, landlords, employers, etc.²²

¹⁷ UK Passport Service, 'Corporate and Business Plan 2005-2010, p.35.

¹⁸ Any avid reader would notice that previous LSE reports noted a much greater cost for the establishment of the NIR. In this report our purpose is to relay the Home Office assumptions, not our own. The challenge then becomes that the Home Office has refused to release **any estimate** of the costs of establishing the NIR. We are forced to only use the 35m that has been spent to date on the entire scheme as a starting estimate for this next phase.

¹⁹ UK Passport Service, 'Corporate and Business Plan 2005-2010, p.35.

²⁰ Because we are rounding to the nearest million the contribution of the DfES verifications are not as noticeable in figure 7. The DfES verifications add 0.53m, moving the figures from £11.8m to £12.3m but both appear as '£12' in the figure.

²¹ GAD.gov estimate for adults by 2019. We are presuming that compulsion would apply at this point though similar calculations could be done for the projected 40m passport holders registered by that date.

²² Again assuming that the costs for the verifications are either £0.57 or £2 in accordance with figures given by the Home Office in their market awareness report of October 2005.

Regardless, the cardholder is going to have to pay – either directly, or through having the cost of verification passed on by departments and firms. The KPMG report draws attention to this very point:

"The statements in the OBC regarding the full recovery of operating costs are questionable since, as the IDCP team recognises, there will clearly be a point beyond which it will be infeasible to pass through all operating costs incurred to ID cardholders."²³

Thus arises the second discrepancy: the scheme was supposed to pay for itself through fees on cardholders but this appears unsustainable using the current figures. **Other avenues for generating income will be required to ensure that the Home Office books are balanced before 2018.**

Other Possible Sources

The Home Office has said that the scheme will be self-funding from card fees and charges for verification.²⁴ **Benefits and cost savings cannot therefore be claimed to offset actual expenditure.** For purpose of illustration, below we include the estimated benefits - using the Home Office's own conservative estimates, and working out the annual proportions of these totals from its graphics. We have indicated when the stated benefits might be expected to appear and what fraction of the deficit they represent by the end of the period. The proposed benefits, according to the Home Office include:

FINANCIAL BENEFITS OF STRATEGIC OBJECTIVES	AMOUNT PER YEAR ACROSS GOVERNMENT
More efficient administration of services	£265m
Immigration controls	£28m
Reduced cost of crime	£45m
Fraud prevention	£310m

Figure 8. Home Office estimates on the annual benefits of the scheme once deployed. As presented in the 'Benefits Overview' report, page 2.

The benefits of these objectives would take time to be realised particularly at the start of the scheme when a small proportion of the eligible population is registered. With time the projected benefits will be realised over the ten year rollout of the scheme, some taking longer than others.

In the following table we establish the timing of the benefits from the Home Office graphic. We analysed the projected dates and amounts of expected benefits outlined in the Home Office documentation. We agreed with the Home Office that increased efficiency in administration of government services may result at an earlier date than the other benefits as other government departments adopt identity cards (even though few departments have qualified their support for the scheme to date). Benefits arising from com-

²³ Section 4.1.4.1 of the KPMG report.

²⁴ October 18 2005 column 789. Q: Tim Farron: Is the Minister therefore saying that the entire cost of ID cards will be borne by citizens paying up front for the card, and not by the taxpayer?" Andy Burnham: "That is precisely the basis on which the scheme has been developed—that the costs of running the scheme will be recovered through charges to the individuals and organisations who use the service. The idea that the money could be diverted to a wish list of other things, whether CCTV in Bournemouth or more police on the beat, simply does not stack up."

bating and preventing fraud and crime are only likely to be significant once adoption is high. As the purpose of this report is to estimate the Home Office accounts, below we estimate the potential gains directed specifically at the Home Office rather than the Government as a whole.

- As the Home Office is 1.3% of the total budget for HM Government, the efficiency gains are likely to be proportionate. To be generous we allocate a 10% gain to the Home Office. That is, we estimate that of a total of £677m projected gains from 2011 to 2018, £68m would apply to the Home Office accounts.
- Immigration gains will be largely to the advantage of the Home Office so we have given 100% of the projected gains to the Home Office accounts.
- Gains in combating crime are likely to arise at a later date once the scheme is nearly fully operational. Even according to Home Office estimates the gains are relatively low.
- The gains from the prevention of fraud, e.g. identity fraud, are likely to arise only nearer to the full deployment of the scheme. Significant doubts have already been shed on the usefulness of the scheme in combating identity fraud. Moreover, the gains to the Home Office are likely to be a small proportion of the larger gains. Again we are giving the Home Office a generous 10% of the total benefit.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CUMULATIVE DEFICIT (£M, FROM ABOVE)	-20	-40	172	372	572	773	972	1172	1372	1572	1771	1971
BENEFITS (£M)												
EFFICIENCY					1.3	2.7	4.0	5.3	6.6	13.3	15.9	18.6
IMMIGRATION					1	1	3	6	8	14	20	25
CRIME												2
FRAUD										2	2	6
TOTAL BENEFITS TO HOME OFFICE (£M)					2.3	3.7	7.0	11.3	14.6	28.9	37.5	51.8
DEFICIT OFFSET BY BENEFITS (£M)	-20	-40	172	372	570	767	959	1148	1333	1504	1666	1814

Figure 9. Likely costs when offset by potential benefits.

As a result after ten years, **even with all the potential strategic benefits to the Home Office, the Home Office figures appear to project a deficit of £1.8bn.**²⁵

The Passport and Identity Card Bind

It is likely that the Home Office will claim that this deficit is a necessary evil. Repeatedly the Home Office has claimed that much of the costs for the identity card will be covered by the internationally required

²⁵ All the models used in this report are available if the reader is interested. Please contact the Identity Project if you are interested.

changes to the passport. And, the Home Office usually goes on to say, issuing the card on top of the passport is relatively trivial.

Part of the problem with the combination of the passport and identity card is that the passport is being made unnecessarily complicated and costly so as to absorb the costs of the card. **So long as this unnecessary and fictional bind continues we do not believe that the costs will be recovered.** Even as the scheme is extended to non-citizens and made compulsory, it is becoming increasingly clear how the £30 stand-alone card fee is being cross-subsidised by passport holders.

If we separate the passport and identity card costs out, with the following assumptions:

- cost of the card alone is £30
- card is only 30% of the larger costs for the card and passport, as the Government has repeatedly claimed, and so annual expenditure for 2009 to 2018 should be £175m
- immigration gains for the card alone are minimal because it will only be held by residents, so are excluded,

we then get the following results.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
TOTAL ENROLMENTS (M)	0	0	4	8	12	16	20	24	28	32	36	40
SPENDING (£M)												
ANNUAL EXPENDITURE	35	35	175	175	175	175	175	175	175	175	175	175
CUMULATIVE SPEND	35	70	245	420	595	770	945	1120	1295	1470	1645	1820
INCOME (£M)												
INCOME (FEES AND VERIFICATIONS)	0	0	120	132	132	132	132	132	132	132	132	132
CUMULATIVE INCOME	0	0	120	252	384	515	648	780	912	1045	1177	1309
CUMULATIVE DEFICIT (£M)	35	70	125	168	212	255	297	340	383	426	468	511
COMBINED BENEFITS	0	0	0	0	1.4	2.8	4.3	5.9	7.4	16.3	19.5	29.3
DEFICIT OFFSET BY BENEFITS (£M)	35	70	125	168	210	251	289	326	361	387	411	424

Figure 10. Spending, income, benefits and deficit arising the identity card alone.

The card alone is likely to cause a deficit of over £510m. Even when offset by the claimed benefits, the Home Office deficit will be at least £424m. More importantly, **the amount spent just on the ID card by 2018 will be £1.82bn.**

The UK passport holder is placed at a disadvantage by this scheme. When we compare the UK to the costs of passports in other countries, based on data compiled by the UKPS²⁶ the UK passport will be among the most expensive in the world. All other passports will involve only fingerprinting (two-fingers) and face-scanning at most, thus limiting their costs to the holder and to their Governments.

The UK's insistence on using the passport scheme to generate a National Register and to include additional fingerprints and iris scans increase the cost of the passport unnecessarily. But this increased cost is borne mostly by the passport-holder. The proportion of the scheme's costs and deficit borne by an identity-card-holder is far less. Therefore the UK passport scheme is being used to subsidise the identity card scheme to the disadvantage of UK passport-holders. As there will probably have to be a rise in the fees for the scheme this will continue to impact the UK passport holder disproportionately because the UK passport scheme is taking too much of the financial burden of this project.

Finally, the benefits of the identity card scheme itself are quite limited during the first ten years. As the Home Office has admitted that it is already performing the service of verification of passport holders' details, many of the stated objectives can be met by a simpler and cheaper passport scheme, in accordance with international obligations, i.e. omitting complete sets of fingerprints, and iris scans. By reducing the costs of the NIR by collecting fewer biometrics, generating simplified audit trail facilities, and in turn reducing the operational costs of the passport scheme, the deficit becomes more manageable. The £1.82bn set aside as Government transfers to the Home Office budget for running the cards scheme alone could then be re-distributed to other Government programmes.

Conclusions

Based on the figures offered by the Home Office Identity Card Team, the Home Office is likely to be subject to an operating deficit due to the Identity Card Scheme. To make ends meet under the current scheme, the Home Office will need to either increase the fee for the passport and card, designate further documents for necessary registration on the NIR, or charge other Government departments and the private sector greater fees for verifications against the NIR.

This deficit will be to the detriment of other Home Office programmes and new programmes that may need to emerge in the coming years due to the development of new challenges and threats. **With the Home Secretary admitting that the scheme requires a "small contribution from public funds, which is the only amount that could be spent on other things", we argue that, based on our understanding of the figures, between £1.8 to £1.97bn²⁷ must be added to the Home Office budgets and pulled away from other future programmes, as the Passport+ID scheme necessarily runs at a deficit.**

²⁶ 'Passport Comparative Data', UKPS and DelaRue, October 2005, available at <http://www.passport.gov.uk/downloads/PassportsOct05.pdf>.

²⁷ figures 9 and 7 respectively show the deficits of the combined Passport and ID Scheme.

Finally, if the Home Office insists on the biometric passport it has planned but drops the compulsory issuance of the ID Card, this could free up £1.82bn²⁸ for other programmes over the next ten years.

²⁸ figure 10 showing how much of the 584m per year is attributable to the Identity Card component.