

# ANALYSIS OF HOME OFFICE COSTS REPORT OF MAY 2007

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THE LONDON SCHOOL  
OF ECONOMICS AND  
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## Summary

The publication on 10 May 2007 of the *second section 37 cost report* (s37) by the Home Office is, as we reported in our response to the *first s37 cost report*<sup>1</sup>, intended to allow Parliamentarians to monitor the progress of the Scheme and, if there were a “sudden huge escalations in costs”, Parliament “will know and be able to take action to stop it before it is too late”<sup>2</sup>.

What the report reveals, however, is not a project that is progressing well but rather one that appears to be getting out of control, despite the best efforts of the Identity and Passport Service to minimise the risks and costs of the Scheme. The publication of the report therefore suggests that independent Parliamentary oversight is urgently needed, to re-evaluate the goals and directions of the Scheme and, if necessary, directly intervene in the running of the Scheme.

In this report we present our analysis of the government’s latest cost figures, placing them in the context of the various activities and reports associated with the Scheme that have occurred during the past seven months since the first cost report was issued and the consequent risks that have arisen in this time. In particular, we review the implications of the Strategic Action Plan that was intended to reduce the risks and costs of the Scheme, Cabinet Office advice about managing the risks of Identity Management for e-government services and other risk factors that could affect the success of the Scheme. We also reflect on the extent that the recommendations made in our *first response* have been taken into consideration in the *second s37 cost report*.

### Recommendations

**The credibility of the Home Office to produce any figures about the state of the scheme is being undermined by basic problems. We recommend an independent review of all figures, to ensure that other such mistakes do not appear again.**

**We recommend that, as a matter of urgency, Parliament is informed of whether the Strategic Action Plan has led to reduced costs or whether the original costs of the scheme were underestimated.**

**We recommend that, as a matter of urgency, Parliament is informed of costs to other government departments as they are identified and quantified.**

**We recommend that Parliament be informed of the complexities and challenges in the creation of a contract to redesign the DWP Customer Information System to integrate the National Identity Register.**

**If iris biometrics have been dropped from the Scheme, we repeat the recommendation made in our first response: Parliament should be informed as to**

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<sup>1</sup> With the various reports and responses available, we have used the following notation. The *first s37 report* <http://www.identitycards.gov.uk/downloads/costreport37.pdf>, our *first response* <http://identityproject.lse.ac.uk/s37response.pdf>, the *second s37 report* <http://www.identitycards.gov.uk/downloads/2007-05-10CostReport.pdf> and this, our *second response*.

<sup>2</sup> Frank Dobson introducing the amendment that resulted in s37. Hansard 13 February 2006 Column 1221

**how a phased-in approach to biometrics will affect the ability of the register to achieve stated policy goals. (E.g. if iris scanning is implemented in 2012, then the entire population will only be uniquely iris scanned by 2022, thus delaying the use of iris scanning to register and verify individuals who can not be fingerprinted).**

**We recommend that Parliament be informed on the cost and effectiveness of running 1-to-many verification checks against biometric databases.**

**Due to high profile attention to the use of the NIR fingerprints to compare fingerprints found at scenes of crime, we recommend that additional research be conducted and reported to Parliament on the likelihood of false matches, i.e. where innocent individuals are identified as possible criminals, and what plans the Home Office have in place to deal with such situations.**

**As the UK Borders Bill is still under consideration by Parliament, we recommend that Parliament address the costs of the ‘Biometric Immigration Document’ in light of recent changes in costings on the identity card.**

**We recommend that the Home Office clarifies whether it has taken Cabinet Office guidance into consideration in the development of the Scheme and if it has, what the cost implications are likely to be.**

**Our main report had warned that public confidence in the Scheme could be one of the major factors affecting its success. We therefore repeat the recommendation from our first response that: “The DWP and OGC should immediately publish the information as required by the Information Commissioner and cease any appeals to prevent its release”.**

**We presume that the cost of the extra interview locations required for the biometric footprint enrolment process are included in the government’s figures, but given the high profile coverage the Passport application by interview process has already received, the risks of public opposition to this part of the Scheme are likely to be higher than those estimated by the Home Office. We recommend that the Home Office conduct and release new assessments of costs of ‘refuseniks’.**

**We recommend that the Government’s position on liability issues around the use of the Scheme be clarified. If compensation for potential fraud is to be provided by the government, then the likely costs that would arise need to be disclosed.**

**Given the latest evidence regarding the challenges in assuring the lifespan of identity documents and technologies, we recommend that the Home Office inform Parliament on the contingencies in place and their likely costs in the event of chip failure.**

**We recommend that a formal debate be held after each s37 report is issued to allow for the implications of the cost reports to be discussed.**

**We recommend that the consequences of late delivery of future reports be clarified, so that Home Office is kept in line and is no longer able to claim that “four weeks in ten years is not significant”.**

## REVIEW OF THE INFORMATION PRESENTED IN THE SECOND S37 COST REPORT

In contrast to the *first s37 cost report*, which consisted almost entirely of statements on the likely benefits of Identity Cards, coupled with aggregate figures for the set-up and operation of the Scheme, the *second s37 cost report* provides more detail about how the figures were arrived at.

Discrepancies remain with the details of the *second s37 cost report*, however. In their Table 1, the Home Office presents the estimated costs from the previous report (although the previous report had listed the operational costs at £5,100 million rather than the more detailed £5,130 million in this report). The Home Office then acknowledges that the basis for the calculations for the previous report had been incorrect and that they had erroneously included (operational) costs of £510 million that should have been incurred by the Foreign and Commonwealth Office in running consular services abroad. Thus, their Table 2 gives the correct figures that should have been reported in the *first s37 cost report*.

The Home Office then states that, as a consequence of updating their business case, they have identified that their previous staff estimates had been too low and so they have increased these costs. These costs are distributed across the 10 year period (£60 million from 2007/08 to 2013/14, £20 million thereafter). This would appear to add £460 million to the total costs<sup>3</sup>. However, their Table 3 has operating costs rising by only £390 million, a difference of £70 million<sup>4</sup>. In addition, set-up costs appear to have risen without explanation, to £300 million (up £10 million)<sup>5</sup>. Thus the total expenditure over this period has risen by £400 million.

Finally, the Home Office updates the cost estimates from the period October 2006–October 2016, to April 2007 to April 2017. To do this, they deduct estimated expenditure for the first six months of £200 million and add estimated costs for the last six months (£300 million). The figures are adjusted to allow for inflation (a 2.7% increase) and the resulting amounts are presented in their Table 4.

It is unclear where the estimated expenditure in the first six months of £200 million is intended to have been spent. Procurement on the Scheme has not yet started<sup>6</sup> and even if it had, would have been unlikely to have incurred such a large amount of expenditure in such a short period of time<sup>7</sup>. Similarly, total expenditure on the Scheme from the start of the 2003/04 financial year to September 2006 (the last available figure) is only £58 million. In addition, it is unclear why operational costs in the last six months of the period would be 50% higher than running costs in the first six months (£300 million rather than £200 million).

The £300 million being spent in the last six months being reviewed implies an annual operational cost of the Scheme of £600 million (up from the estimate given during the Parliamentary debate of £584 million). It also indicates the level of verification fee income that the Scheme needs in order to break even. Although the Scheme is intended to bring in a variety of benefits to gov-

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<sup>3</sup> 2006/7 £0, 2007/8 £60 m, 2008/9 £60 m, 2009/10 £60m, 2010/11 £60m, 2011/12 £60 m, 2012/13 £60 m, 2013/14 £60 m, 2014/15 £20 m, 2015/16 £20 m = £460m.

<sup>4</sup> This difference might be due to different accounting periods, i.e. calculating costs from April or October

<sup>5</sup> This is possibly the 2.7% adjustment for inflation included in Table 4.

<sup>6</sup> The first Prior Information Notice has just been issued [http://www.identitycards.gov.uk/downloads/National\\_Identity\\_Scheme\\_Prior\\_Information\\_Notice2007.pdf](http://www.identitycards.gov.uk/downloads/National_Identity_Scheme_Prior_Information_Notice2007.pdf)

<sup>7</sup> According to a written answer, the Home Office has not yet requested the additional funds required for the Scheme [Answer to 131373]

ernment and society<sup>8</sup> it must be paid for through a combination of the fees charged for enrolling in the Scheme, “a small contribution from public funds” and “income that could be derived from contracts with organisations that use the database”<sup>9</sup> (i.e. payments for the use of the verification services). Assuming around 5 million enrolments per year at that time, each paying the equivalent of a £30 registration fee and hence bringing in about £150 million per year, this leaves a shortfall of £450 million to be covered by the charge the Home Office levies for formal verifications of identity against the National Identity Register.

At first sight, therefore, apart from minor issues of presentation, the cost report appears to suggest that, within reason, things are not going too badly for the Scheme. There are, however, a number of issues whose significance the cost report fails to acknowledge.

First, time and again, the Home Office has insisted that its costings for the Scheme are robust and have been independently checked. The revisions to Table I, however, show that previously released figures were out by 9.4% (£510 million out of £5240 million). No discussion is presented as to how such a large figure could be incorrectly included in the previous cost report.

**The credibility of the Home Office to produce any figures about the state of the scheme is being undermined by such basic problems. We recommend an independent review of all figures, to ensure that other such mistakes do not appear again.**

Second, the report states that “the cost estimates and business case have been updated to reflect the Strategic Action Plan”<sup>10</sup>. Although the report includes increased costs associated with a re-evaluation of the staffing on the Scheme, other aspects of the Strategic Action Plan, such as the dropping of iris biometrics and re-use of existing Government databases should have had a noticeable effect on the costs of the Scheme (although, as we argue below, they could also lead to increased risks and costs for other aspects of the Scheme). If the statement about the costs and benefits of the Strategic Action Plan having been taken into account are to be taken at face value, then either the radical redesign of the Scheme has had no other effect on the costs of the Scheme, or the previous estimates of costs were *much* higher than Parliament had previously been told.

We discuss our expectations of the Strategic Action Plan on costs, below.

**We recommend that, as a matter of urgency, Parliament is informed of which of these cases has arisen.**

Third, the figures presented in the *second s37 cost report* continue the Home Office trend of excluding those costs that are not directly attributable to the Home Office. Whilst this satisfies the wording of section 37, it goes against the spirit of the requirement. In order to assist deliberation of the Scheme we summarise the different aspects of these costs below.

**We recommend that, as a matter of urgency, Parliament is informed of the costs to other departments as they are identified and quantified.**

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8 Identity Cards Scheme Benefits Overview [http://www.identitycards.gov.uk/downloads/2005-06-27\\_Identity\\_Cards\\_Scheme\\_Benefits\\_Overview.pdf](http://www.identitycards.gov.uk/downloads/2005-06-27_Identity_Cards_Scheme_Benefits_Overview.pdf)

9 Charles Clarke Hansard, 13 February, 2006 : Column 1119, For more detail on this, see our analysis of Home Office Accounting <http://identityproject.lse.ac.uk/accountingreport.pdf> March 2006

10 Section 1.2

## COST IMPLICATIONS OF THE STRATEGIC ACTION PLAN

Perhaps the most puzzling aspect of the *second s37 cost report* is the limited effect that the Strategic Action Plan issued in December 2006 has had on costs of the Scheme. As stated in the introduction to the Strategic Action Plan, its purpose was to “keep risks and costs down, by using existing Government investment and delivering incrementally, based on extensive piloting and trialling”<sup>11</sup> however, as noted above, the only cost effect appears to have been an increase in staff costs.

The plan was released as a written statement on the last day before the House of Commons rose for the Christmas recess and presented a radical redesign of the Scheme to address “the most common criticisms [that] they are high-risk and too expensive”<sup>12</sup>. The Home Secretary, John Reid, however, denied that it was a u-turn claiming that “Doing something sensible is not necessarily a u-turn”<sup>13</sup>.

The Strategic Action Plan represents a radical rethink of the design of the Scheme. It removes a number of aspects of the Scheme that we have previously indicated as being high risk and high cost. However, we argue, in so doing, it also adds a range of additional costs that do not appear to have been considered in the updated cost figures presented to Parliament.

The National Identity Scheme as represented in the Strategic Action Plan differs from earlier versions of the scheme in two important ways and these differences can be seen particularly in terms of the evidence presented by the Identity Cards programme to the House of Commons Science and Technology Select Committee<sup>14</sup>.

### **From a single, new databases to multiple existing databases**

The first aspect of the redesign is around the technological infrastructure of the scheme. The earlier version of the scheme foresaw developing the National Identity Register on a new database built from scratch with the high levels of security needed for a database containing sensitive information about 60 million people included from the start. Another benefit of building a brand new database would be to ensure that it could cope with the volume of enrolment and verification transactions that the Scheme would be likely to produce.

In terms of security, Nigel Seed told the Select Committee: “Security is not going to be an add-on, it is being done now. We have not even gone out with our requirements. The security is embedded within my procurement team. ... The security of the data centre itself is down to even very basic things like making sure it is not on or near a floodplain. We are looking at all that sort of stuff, right from very basic level access and flooding and losing it that way right the way through to hacking”<sup>15</sup>.

Katherine Courtney told the committee that the idea was for a single, ‘logical’ database that “may involve a series of data storage solutions”<sup>16</sup> but also clarified “I did not mean to imply that a solu-

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11 Strategic Action Plan p. 2

12 Reid abandons giant ID system, Catherine MacLeod, The Herald 20 December 2006

13 [http://news.bbc.co.uk/1/hi/uk\\_politics/6192419.stm](http://news.bbc.co.uk/1/hi/uk_politics/6192419.stm)

14 <http://www.publications.parliament.uk/pa/cm/200506/cmselect/cmsctech/1032/103202.htm>

15 Answer to Q344

16 Answer to Q346

tion might involve stringing a number of legacy databases together. That has never been part of this proposition. We have always said that our requirements are for a data repository that could be populated one record at a time”<sup>17</sup>.

The Strategic Action Plan<sup>18</sup> suggests, however, that existing government databases will now be used for the key elements of the system. Biometric information will be stored “initially” on existing biometric systems used for asylum seekers and biometric visas, biographical information will be stored on the Department of Work and Pension’s Customer Information System and technical, PKI, data will be stored on existing UKIPS systems.

The *second s37 cost report* states that “studies have concluded that it is **lawful and feasible**” to use the DWP’s Customer Information System to host the biographic element of the Register<sup>19</sup>. However, the costs and practical issues associated with this step do not appear to have been fully considered.

It is widely recognised that adding high-level security to existing databases is extremely problematic and so it must be assumed that each of these databases has been selected because UKIPS is confident that each system already has the requisite level of security. (Although the recent admission that the Department of Work and Pensions sent bank and personal details of 26,000 pensioners to the wrong addresses<sup>20</sup> gives limited confidence that basic information management policies are in place with that database).

These new uses of the databases are going to have implications on the performance of the existing systems and it is not at all clear whether the existing systems will be able to cope with this new load. They would certainly not have been designed with this load in mind.

Further issues will arise with the inevitable contract renegotiations that will follow between these departments and their technology suppliers. More generally, there is growing evidence that altering contracts midway through their terms is likely to be problematic and costly. Indeed, it is not even clear how the payments for this additional use of existing infrastructures will be made. Will the payment be made directly from UKIPS or will they be paid by the host government departments?

**We recommend that Parliament be informed of the complexities and challenges in the creation of a contract to redesign the DWP Customer Information System to integrate the National Identity Register.**

### **Dropping the use of iris biometrics**

The second major redesign with the Scheme comes from the apparent decision to longer include iris scanning as part of the enrolment and verification process (although the *second s37 cost report* states that “The recording of iris biometrics is also an option”<sup>21</sup>). When the Identity Cards programme appeared before the Select Committee, their reasons for using multiple biometrics were clear. Katherine Courtney told the committee: “There has been a recommendation that no single

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<sup>17</sup> Answer to Q366

<sup>18</sup> Paragraph 15

<sup>19</sup> Page 4 Emphasis added

<sup>20</sup> <http://news.bbc.co.uk/1/hi/uk/6349041.stm>

<sup>21</sup> Appendix 1

biometric is the solution. What we are looking for from the multiple biometrics is a system combined with the checking of people's biographical footprints ... that allows us to attempt to avoid a duplicate registration of identities"<sup>22</sup>. She continued: "There is no single biometric today that is universally applicable to everybody. You may have individuals, for example, who have lost their hands and are unable to register fingerprint biometrics but would be able to register a face and irises. We were looking to create a scheme that was universally accessible for people and that was one of the important reasons"<sup>23</sup>. A similar point was made by Dr Henry Bloomfield: "What we may do is use fingerprint and iris biometrics in conjunction so that if it turns out that your fingerprint matched against a few other people's fingerprints in the database, it is possible that an iris biometric may then be used to discriminate amongst those people"<sup>24</sup> and again by Katherine Courtney: "You cannot record someone's fingerprints if they do not have any fingers. That is a known limitation and one of the reasons behind our intention to use multiple biometrics to try to overcome that limitation"<sup>25</sup>.

The Strategic Action Plan, however, only mentions iris recognition once<sup>26</sup>, stating that the introduction of iris biometrics "also remains an option". Moreover, despite earlier claims that iris biometrics would be used for residence permits issued to foreign nationals, the Home Office recently announced that even these will now only rely on facial biometrics and fingerprints<sup>27</sup>.

**If iris biometrics have been dropped from the Scheme, we repeat the recommendation made in our *first response*: Parliament should be informed as to how a phased-in approach to biometrics will affect the ability of the register to achieve stated policy goals. (E.g. if iris scanning is implemented in 2012, then the entire population will only be uniquely iris scanned by 2022, thus delaying the use of iris scanning to register and verify individuals who can not be fingerprinted).**

Facial biometrics remain part of the new 'biometric' passports that have been issued since March 2006. However, a recent report by the National Audit Office<sup>28</sup> stated that "current facial recognition technology is not reliable enough to enable the automated checking of applications against the full database of existing passport holders although the Identity and Passport Service is piloting its use on a smaller scale"<sup>29</sup>. This is, in part, because of the limited resolution (300 dpi) of the facial image.

Thus, to ensure that no individuals are enrolled in the Scheme more than once, the Scheme will now combine a biographical footprint check with a biometric check of individuals already enrolled in the Scheme. Given the problems with facial biometrics, this must be done using fingerprints. However, the Strategic Action Plan notes that: "biometric technology identifies small percentages of what are known as 'false matches' or 'false non-matches'". In order to deal with this

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22 Answer to Q292

23 Answer to Q293

24 Answer to Q295

25 Answer to Q302

26 Para 65.

27 [http://news.bbc.co.uk/1/hi/uk\\_politics/6258139.stm](http://news.bbc.co.uk/1/hi/uk_politics/6258139.stm)

28 <http://www.nao.org.uk/pn/06-07/0607152.htm>

29 Para 3.1

issue, “expert human assessment” is required and it envisages that this “will build on resources which currently exist within government”<sup>30</sup>.

Scaling up the expert human assessment of cases of fingerprint false matches and false non-matches to be able to cope with the number of annual enrolments into the Scheme is likely to be costly, especially if existing resources are not to be diverted from crime scene analysis (although the Prime Minister, writing to individuals who had signed the online petition against ID cards, suggests otherwise: “The National Identity Register will help police bring those guilty of serious crimes to justice. They will be able, for example, to compare the fingerprints found at the scene of some 900,000 unsolved crimes against the information held on the register”<sup>31,32</sup>).

**We recommend that Parliament be informed on the cost and effectiveness of running 1-to-many verification checks against biometric databases.**

**Due to high profile attention to the use of the NIR fingerprints to compare fingerprints found at scenes of crime, we recommend that additional research be conducted and reported to Parliament on the likelihood of false matches, i.e. where innocent individuals are identified as possible criminals, and what plans the Home Office have in place to deal with such situations.**

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<sup>30</sup> Para 50

<sup>31</sup> <http://www.pm.gov.uk/output/Page10987.asp>

<sup>32</sup> [http://www.dailymail.co.uk/pages/live/news/maccartoon.html?in\\_page\\_id=1831&in\\_date=231106](http://www.dailymail.co.uk/pages/live/news/maccartoon.html?in_page_id=1831&in_date=231106)

## IDENTIFIED COSTS TO OTHER DEPARTMENTS

We have previously expressed concern at the lack of disclosure of the costs to other government departments. Despite clearly articulated goals for reducing fraud and enabling access to government services, the Home Office has been unwilling to disclose the costs of implementing the scheme across key government departments despite arguing these benefits during the Act's passage through Parliament. The Home Office has been unwilling to even discuss the costs to the other components of the Home Office, such as to border agencies and police. Whilst we understand some of these costs may fall outside of the strict interpretation of the requirements for s37 reports, as the Scheme develops, the costs to other parts of Government are now becoming clearer and there is a strong argument for them being disclosed to Parliament as they become available.

As noted above costs of £510 million are now allocated to the Foreign and Commonwealth Office. However, the *second s37 cost report* does not explain how the Home Office came up with this figure, nor why it is now a burden for the FCO to bear. Parliament should be told precisely how “consular services abroad” will cost £510 million over this period. Perhaps citizens registered abroad for passports or ID cards will be processed through entirely different systems, but we would find this to be a surprising development. It is hard to imagine how the fingerprinting and registration of foreigners and the fingerprinting and registration of UK citizens at home and abroad are somehow separate programmes. In the same way, we believe that future reports should also include the costs to the Immigration and Nationality Department (IND).

The Home Office has declared that the cost of implementing the scheme for extending permits to foreign nationals is now £200 million (their Table 5). We wish that there was greater clarity in how the Home Office came up with this amount. Such clarity would help us to understand other costs that have not yet been accounted for, such as the costs of issuing identity cards to all foreign nationals, including visa holders coming to the UK for extended periods, non-EEA foreign nationals already settled in the UK and EEA nationals visiting the UK for an extended period of time.

When discussing the costs of issuing cards to foreign nationals, the *second s37 cost report* mentions the “Biometric Immigration Document”. This BID is being created under secondary legislation within the UK Borders Bill, which will “in due course” be designated under the Identity Cards Act powers. This BID “will 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 Scheme”<sup>33</sup>. As such, this would appear to be a cost of implementing Identity Cards that is not included in the Home Office costs “for providing passports and ID Cards to British and Irish citizens resident in the UK”. The requirement for *s37 reports* does not specify that the costs be limited to British and Irish citizens resident in the UK, rather it states that the Secretary of State should report on “the public expenditure likely to be incurred on the ID cards scheme”.

**As the UK Borders Bill is still under consideration by Parliament, we recommend that Parliament address the costs of the ‘Biometric Immigration Document’ in light of recent changes in costings on the identity card.**

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<sup>33</sup> Page 7

## FURTHER SECURITY CONSIDERATIONS

Since the first cost report was issued, the Cabinet Office has released a report<sup>34</sup>, on Identity Risk Management for e-government services. The report is intended to provide centralised advice on identity risk management for e-Government. It does this based on a process for assessing risk and providing detailed specifications of the kinds of action that should be taken for each level of risk, i.e. Identify service level; Select appropriate processes; Confirm residual risk and Handle special cases<sup>35</sup>.

The report identifies four levels of risk (0–3)

**Level Zero:** Services are those which involve a ‘best endeavours’ relationship between the service provider and the individual requesting the service.

**Level One:** Relates to services where there is an obligation on the part of the service provider to make all reasonable efforts to provide the service to the requesting party.

**Level Two:** The relationship between the parties is formal.

**Level Three:** Represents the highest potential impact in cases of possibly falsified or mistaken identity for online services. The likely impacts here include damage to property, severe embarrassment to an individual, significant financial harm to an organisation (including the service provider) and possibly physical harm to individuals.

The risk assessment process is given in Supplement E of the report, where scores are allocated for different kinds of threat factors that a particular service might face. To use the assessment scheme, for each identified threat, the government department must decide how likely the threat is and allocate the appropriate score. Thus, if threat 5 (“individuals would be severely tempted to produce forged proof of identity and / or eligibility in order to gain access to the service”) is deemed possible, then 4 is added to the total risk score for the Scheme.

Threat	Very likely	Likely	Possible	Very unlikely
1. Organised crime syndicates would actively seek to gain access to the service.	12	9	8	0
2. The service would be an obvious focus of attention for hackers.	10	8	5	0
3. Staff in trusted positions would be tempted to sell or otherwise make available their access rights to unauthorised individuals.	12	5	2	0
4. The service would be an attractive target for large scale social engineering such as phishing.	10	5	2	0
5. Individuals would be severely tempted to produce forged proof of identity and/or eligibility in order to gain access to the service.	10	7	4	0
6. Terrorists would actively seek to gain access to the service.	10	9	8	0
7. Subversive/anarchist organisations would actively seek to gain access to the service.	12	8	7	0
8. Investigative journalists would actively seek to gain access to the service.	15	6	4	0

Figure 1 Taken from Supplement E:Threat Factors

<sup>34</sup> Identity Risk Management for e-Government Services, [http://www.cabinetoffice.gov.uk/csia/documents/risk\\_mgt/id\\_risk\\_mgt061127.pdf](http://www.cabinetoffice.gov.uk/csia/documents/risk_mgt/id_risk_mgt061127.pdf) . The report is undated, but the URL suggests it was issued at the end of November 2006.

<sup>35</sup> Page 1

Having obtained a total risk score for the Scheme, this is compared against a table of security levels and risk factors (Figure 2). Using the most generous readings of the security risks likely to be faced by the Identity Cards Scheme gives it a risk rating of level 3.

Level	Max Threat	Max High Threats
0	2	0
1	20	1
2	32	3
3	45	5

Figure 2 Taken from Supplement E:Thresholds

A risk level three has: “the highest potential impact in cases of possibly falsified or mistaken identity for online services. The likely impacts here include damage to property, severe embarrassment to an individual, significant financial harm to an organisation (including the service provider) and possibly physical harm to individuals” ... “Level Three represents the most sensitive kinds of service which should be brought online given the inherent nature of the Internet and its users. Where the risk exceeds the ceiling for this group, then the viability of the service as an online offering should be reviewed. For Level Three services there is always a requirement for strong initial proof of identity and strong authentication in service delivery”<sup>36</sup>.

Although it is arguable that the risks associated with the NIR are higher than is covered in the Cabinet Office guidance document (i.e. because any security breaches could have an impact on many people, not just isolated individuals which appears to be the main focus of Level Three), the advice about Level Three authentication (i.e. someone who is in the system confirming their identity) is clear:

“Clients will authenticate themselves to the system by the presentation of a digital certificate. This will be held in an access token, which would ideally be a smart card, token or mobile device. Clients will demonstrate their right to that credential through the use of a private key and a password or biometric. The system will authenticate users based on the validity of public key / private key pairs and on the validity of the credential. **Username/password combinations are not acceptable for Level 3 authentication**”<sup>37</sup>.

It is instructive to compare this guidance with recent (2007) Home Office descriptions about how users will access the Scheme:

“There will be a number of different methods of verifying identity under the National Identity Scheme ranging from a visual check of the card, which will not require a card reader, to card authentication, PIN verification and up to biometric verification where a high level of identity assurance is required”<sup>38</sup>.

“Design work with potential users of the identity verification service remains ongoing. As such, it is not possible to state which services and information will be available on-

36 Page 8

37 Page 18, emphasis added

38 Joan Ryan, Written answer to question by Mr Hoban 120387

line to ID card holders through the use of a personal identification number at this time.’<sup>39</sup>

Such statements suggest that the Home Office is unaware of this guidance from the Cabinet Office. Given the considerable security issues associated with the Scheme (which we summarized in chapter 14 of our *main report*<sup>40</sup>) this is rather worrying. Moreover, if this guidance is to be taken into consideration, it is likely to have a significant impact on the costs of the Scheme.

**We recommend that the Home Office clarifies whether it has taken this guidance into consideration in the development of the Scheme and if it has, what the cost implications are likely to be.**

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<sup>39</sup> John Reid, Written answer to Mr Clegg 119612

<sup>40</sup> <http://identityproject.lse.ac.uk/identityreport.pdf>

## OTHER RISKS AND COSTS ASSOCIATED WITH THE SCHEME

The broad, socio-political context of the Identity Cards Scheme raises a series of further risks to the Scheme in both the short and longer term. Many of these risks carry possible cost implications.

### Short term

#### Political uncertainty

In the short term, it would appear that the most significant risks to the Scheme are not technological but political. As we reported in our previous response<sup>41</sup>, in July 2006, the Chancellor Gordon Brown appointed Sir James Crosby to lead the Public Private Forum on Identity Management. The terms of reference for this review<sup>42</sup> were to:

- a) Review the current and emerging use of identity management in the private and public sectors and identify best practice.
- b) Consider how public and private sectors can work together, harnessing the best identity technology to maximise efficiency and effectiveness.
- c) Produce a preliminary report for the Chancellor of the Exchequer and the Ministerial Committee on Identity Management by Easter 2007.

Presumably this preliminary report has been delivered as it is known that Sir James will now be producing a full report which will be delivered in late summer<sup>43</sup>. Given the overlap in scope between the Crosby review and the operation of the Identity Cards Scheme, the late delivery of the final report suggests that this is one of the policy areas that Gordon Brown might be reviewing if he becomes Prime Minister. Indeed, press reports are already indicating that such a review is possible<sup>44</sup>.

The main opposition parties remain resolutely opposed to the Scheme<sup>45</sup>. In February 2007, David Davis, the Shadow Home Secretary, wrote to Sir Gus O'Donnell, the Cabinet Secretary, saying that the Tories would cancel the scheme "immediately on our being elected to government" and urging the government to take the risks of future cancellation under a Conservative administration into account in the procurement for the scheme. Mr Davis also wrote to a number of IT suppliers informing them of the Party's policy.

As Dunleavy et al. (2006) note: "The considerable costs of making a relatively fixed investment in a particular type of computer system, with a particular software and defined programmes and routines written within it, thus add a significant layer to the insulation of current policy orientations"<sup>46</sup>. This embodying of policy in code perhaps explains why the Conservatives were concerned that the Scheme, once implemented, would be difficult to unroll.

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41 Page 22

42 [http://www.hm-treasury.gov.uk/newsroom\\_and\\_speeches/press/2006/press\\_51\\_06.cfm](http://www.hm-treasury.gov.uk/newsroom_and_speeches/press/2006/press_51_06.cfm)

43 [http://www.hm-treasury.gov.uk/independent\\_reviews/identity\\_management/identity\\_management\\_index.cfm](http://www.hm-treasury.gov.uk/independent_reviews/identity_management/identity_management_index.cfm)

44 E.g. [http://www.dailymail.co.uk/pages/live/articles/news/news.html?in\\_article\\_id=454193&in\\_page\\_id=1770](http://www.dailymail.co.uk/pages/live/articles/news/news.html?in_article_id=454193&in_page_id=1770) and <http://politics.guardian.co.uk/homeaffairs/story/0,,2077823,00.html>

45 Liberal Democrats <http://www.libdems.org.uk/justice/> Conservatives [http://www.conservatives.com/tile.do?def=campaigns.display.page&obj\\_id=134894](http://www.conservatives.com/tile.do?def=campaigns.display.page&obj_id=134894)

46 Dunleavy, P., Margetts, H., Bastow, S., and Tinkler, J., *Digital era governance: IT corporations, the state and e-government*, Oxford University Press, Oxford, 2006.

They were perhaps not expecting the response they got from Intellect, the trade association for the UK hi-tech industry, where John Higgins, the Director General of Intellect, wrote to Mr Davis stating:

Firstly, it is important to state that the UK technology industry is neither for, nor against the policy of introducing ID cards in the UK. This public policy debate took place and was voted upon in Parliament.

As an industry we are now working hard with the Identity and Passport Service to ensure that the ID cards procurement results in solutions which are practical and deliverable. To this end, we believe it is wholly inappropriate for the industry to be used as a mechanism for scoring political points.

Moreover, it is highly likely that the manner of this intervention will undermine the confidence of the supplier community in any future Conservative Government honouring other contractual commitments which may have been entered into by previous administrations.

This raises an interesting question for Parliament to consider: in the affairs of government projects, who has supremacy? Previous contracts between government and contractor or the will of a new Parliament?

## **Medium term**

### **Public confidence in the Scheme: A question of openness**

The appointment, in October 2006, of James Hall as the first Chief Executive of the Identity and Passport Service has signaled a new spirit of openness within UKIPS, which has helped with the external scrutiny of the Scheme. Mr Hall has increased the level of dialogue with key actors and constituencies in this complex policy domain.

In particular, James Hall has held two 'webchats' about the Identity Cards Scheme, on 14 November 2006<sup>47</sup> and on 5 March 2007<sup>48</sup>. UKIPS has gone public on test errors with its new computer systems and other IT projects, a level of openness has been widely recognized as good practice<sup>49</sup>.

In the same spirit, the UKIPS vision appears no longer to be to provide the "gold standard of identity"<sup>50</sup> but rather to become "the trusted and preferred provider of identity services"<sup>51</sup>.

However, as we reported in our *first response*, other aspects of the Scheme remain deliberately hidden. In our *first response*, we reported on the Information Commissioner's ruling that the Gateway Reviews of the Identity Cards Scheme be made public. The government appealed this decision and the case went to an Information Tribunal in March 2007.

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47 <http://www.pm.gov.uk/output/Page10364.asp>

48 <http://www.pm.gov.uk/output/Page10969.asp>

49 <http://www.computerweekly.com/Articles/2007/01/16/221172/passport-agency-goes-public-on-test-errors.htm>

50 Eg. Baroness Scotland, Hansard 16 January 2006 Column 484; Lord Bassam of Brighton, Hansard 12 December 2005 Column 1098

51 [http://www.identitycards.gov.uk/downloads/Business\\_Plan\\_April\\_2007.pdf](http://www.identitycards.gov.uk/downloads/Business_Plan_April_2007.pdf)

The Tribunal's decision was made on 2 May 2007 and called for the Gateway reviews to be disclosed<sup>52</sup>. The decision report presents a detailed summary of the reasoning followed by the Tribunal in making its decision. However, of particular significance were the claims that there had been specific briefing on Freedom of Information during training for the Gateway Review process. According to the witnesses called, this had suggested that:

there was little risk of GR's [Gateway Reviews] being disclosed under FOIA or other means, which appears to have come from the briefings. Only in cross examination did some of the witnesses recognise that there could be no guarantee of non-disclosure. Mr Herdan said "OGC practice was that this information would not be disclosed and that people could talk without fear and that it would be non-attributable to them, but we were not able to say that there was a 100 percent guarantee that this information would never get into the public domain"<sup>53</sup>.

In addition, a previous Select Committee inquiry and report<sup>54</sup> had presented strong evidence in favour of the view that Gateway Reviews could be made public, including claims from a number of IT vendors that they would be comfortable with such an arrangement.

**Our main report had warned that public confidence in the Scheme could be one of the major factors affecting its success. We therefore repeat the recommendation from our first response that: "The DWP and OGC should immediately publish the information as required by the Information Commissioner and cease any appeals to prevent its release".**

### **Public confidence in the Scheme: Enrolment**

In March 2007, UKIPS released more information about its new application by interview process for first time passport applicants<sup>55</sup>. This process will form the basis of the biographical footprint checks that will be a significant element of the enrolment process for the Identity Cards Scheme.

Biographical footprint checks involve face-to-face interviews with registrants of 10–20 minutes duration. "At the interview, customers will be asked basic information about themselves—not deeply private information, but information that can be checked to confirm that they are who they say they are"<sup>56</sup>.

These interviews will initially be targeted at first time applicants for passports, taking place at the 69 new interview centre locations<sup>57</sup>. This is based on UKIPS assumptions of 600,000 first time passport applicants per year<sup>58</sup>. In comparison, the Home Office are expecting 4,220,000 new and

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52 [http://www.informationtribunal.gov.uk/Files/ourDecisions/office\\_of\\_govern\\_commerce\\_v\\_infocomm%20\\_2May07.pdf](http://www.informationtribunal.gov.uk/Files/ourDecisions/office_of_govern_commerce_v_infocomm%20_2May07.pdf)

53 Para 31.

54 Management of Information Technology Projects: Making IT Deliver for DWP Customers, available at <http://www.parliament.the-stationery-office.co.uk/pa/cm200304/cmselect/cmworpen/311/311.pdf>

55 [http://www.passport.gov.uk/downloads/Introduction\\_of\\_Passport\\_Application\\_Interviews.pdf](http://www.passport.gov.uk/downloads/Introduction_of_Passport_Application_Interviews.pdf)

56 Page 3

57 Aberdeen, Aberystwyth, Andover, Armagh, Barnstaple, Belfast, Berwick-upon-Tweed, Birmingham, Blackburn, Boston, Bournemouth, Bristol, Bury St. Edmunds, Camborne, Carlisle, Chelmsford, Cheltenham, Coleraine, Crawley, Derby, Dover, Dumfries, Dundee, Edinburgh, Exeter, Galashiels, Glasgow, Hastings, Hull, Inverness, Ipswich, Kendal, Kilmarnock, Kings Lynn, Leeds, Leicester, Lincoln, Liverpool, London, Luton, Maidstone, Manchester, Middlesbrough, Newcastle, Newport, Newport (Isle of Wight), Northallerton, Northampton, Norwich, Oban, Omagh, Oxford, Peterborough, Plymouth, Portsmouth, Reading, Scarborough, Shrewsbury, Sheffield, St Austell, Stirling, Stoke-on-Trent, Swansea, Swindon, Warwick, Wick, Wrexham, Yeovil and York.

58 Page 10

renewed passports in 2010–11<sup>59</sup>, all of which will need to be subject to authentication by interview before they can be issued with Identity Cards. News reports suggest that the questions will be drawn from a list of 200 possible questions<sup>60</sup>.

This news report continues: “Applicants will be asked to confirm facts about themselves which someone attempting to steal their identity may not know but to which the **interviewers already know the answer**. Mr Herdan (executive director of the Identity and Passport Service) said there would be no pass or fail mark but officials would make a judgment on the basis of the whole interview whether an applicant was telling the truth”<sup>61</sup>. The process will involve “third party authentication of biographical information”<sup>62</sup>.

This means, at the very least, the interviewers will have access to vast amounts of personal information about each individual enrolling in the scheme. The practical implementation of this process would involve collating this information at the interview location, before the interview begins. There appears to be no formal guarantee that this collated information will be destroyed after use.

In the Home Office response to the LSE alternative blueprint<sup>63</sup>, it was stated that “The LSE claims that the Government plans to vet people’s ‘life history and activities’ in the enrolment process” continuing “We have no intention of vetting a person’s life history and activities. We are simply confirming the true existence of an identity before issuing an ID card—that is not the same as obtaining details about someone’s life activities or their credit history”<sup>64</sup>.

**We presume that the cost of the extra interview locations required for the biometric footprint enrolment process are included in the government’s figures, but given the high profile coverage the Passport application by interview process has already received, the risks of public opposition to this part of the Scheme are likely to be higher than those estimated by the Home Office. We recommend that the Home Office conduct and release new assessments of costs of ‘refuseniks’.**

### **Public confidence in the Scheme: Civil liberties issues**

In recent months, there has been growing public awareness about the civil liberties issues associated with identity cards and other forms of surveillance. In November 2006, the Information Commissioner’s Office, released a specially commissioned report on “A Surveillance Society”<sup>65</sup>. In March 2007, the Royal Academy of Engineering published a report “Dilemmas of privacy and

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59 Figure given in written answer to question from Mr Hoban [120386]

60 <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/03/21/npass21.xml>

61 Ibid. Emphasis added

62 This term is used in the UKIPS Business Plan 2007–2017 page 10. It is not clear to us whether this term is meant to include existing government databases as well as those provided by commercial organisations such as Equifax. According to a recent written answer, the Personal Identity Process (PIP) currently checks an individual’s records against: Electoral roll; BT records; Credit records; County court judgments (1999>); HALO deaths—a database compiled from Governmental and funeral directors’ records; ONS deaths (England and Wales 1983–2003) [122006]

63 [http://www.identitycards.gov.uk/downloads/Response\\_LSE\\_Alternative\\_Blueprint.pdf](http://www.identitycards.gov.uk/downloads/Response_LSE_Alternative_Blueprint.pdf)

64 Page 11

65 [http://www.ico.gov.uk/upload/documents/library/data\\_protection/practical\\_application/surveillance\\_society\\_full\\_report\\_2006.pdf](http://www.ico.gov.uk/upload/documents/library/data_protection/practical_application/surveillance_society_full_report_2006.pdf)

surveillance: Challenges of technological change”<sup>66</sup>. Both these reports received extensive press coverage.

Since then, the House of Commons Home Affairs Committee has launched an inquiry into “A surveillance society?”<sup>67</sup> which includes, in its terms of reference, “Home Office responsibilities such as identity cards”.

In addition, the House of Lords Constitution Committee has launched a separate inquiry into “the Impact of Surveillance & Data Collection”<sup>68</sup>. Again, its terms of reference include specific mention of identity cards as examples of information systems and processes used to identify individuals and information about them

The LSE Identity Project submission to the Home Affairs Committee is available on our website <http://identityproject.lse.ac.uk>.

### **Questions of liability**

Another risk that has not been highlighted by the *second s37 cost report* is associated with questions of liability if the verification services provided by the Scheme are used in the public and private sector. In an article published in December 2006<sup>69</sup> Toby Stevens, Director of the Enterprise Privacy Group, notes that it is only a matter of time before the integrity of the National Identity Register is compromised and, when that happens, “false identities and multiple identities will be issued; legitimate identities will be stolen or modified; citizens will fail to report changes in their records. Businesses will be obliged to enter into transactions with only these compromised credentials to prove the identity of the other party”<sup>70</sup>. This means there will be a de facto “transfer of liability for the integrity of the National Identification Register away from the government and on to businesses”. Yet if the companies have little choice but to use the Scheme to verify identities, then issues of liability seem unfairly focused on the business users rather than shared with government.

One response to such a situation would be for the government to provide limited financial assurance against fraud and compensate companies that have fallen victim to identity crimes associated with their use of the Scheme. Doing so, however, would increase the costs of the Scheme.

**We recommend that the Government’s position on liability issues around the use of the Scheme be clarified. If compensation for potential fraud is to be provided by the government, then the likely costs that would arise need to be disclosed.**

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<sup>66</sup> [http://www.raeng.org.uk/news/publications/list/reports/dilemmas\\_of\\_privacy\\_and\\_surveillance\\_report.pdf](http://www.raeng.org.uk/news/publications/list/reports/dilemmas_of_privacy_and_surveillance_report.pdf)

<sup>67</sup> [http://www.parliament.uk/parliamentary\\_committees/home\\_affairs\\_committee/hacpn070327no18.cfm](http://www.parliament.uk/parliamentary_committees/home_affairs_committee/hacpn070327no18.cfm)

<sup>68</sup> <http://www.parliament.uk/documents/upload/CFE%20Final.doc>

<sup>69</sup> <http://www.computerweekly.com/Articles/2006/12/19/220759/who-will-foot-the-bill-for-id-card-fraud.htm>

<sup>70</sup> See also Berghel, H. “Fungible credentials and next-generation fraud,” *Communications of the ACM* (49:12), 2006, pp. 15-19.

## Long Term

As the *second s37 cost report* notes, “costs are subject to the completion of a number of competitive tendering processes, which have not yet started”. Thus, there remains uncertainty and risk about the long term implementation and effectiveness of the Scheme. However, some long term issues are known.

### Reliability of the technology

In February 2007, the National Audit Office issued a report on the Introduction of ePassports<sup>71</sup>. As the *second s37 cost report* states, this acknowledged that the introduction of ePassports had been managed well and implemented on time and on budget. The NAO also noted, however, that the UKIPS should reduce its reliance on external consultants for such key projects (they had spent £4.9 million on full time consultants between March 2003 and November 2006, £322,000 on fixed-term contractors and £82,000 on permanent staff<sup>72</sup>).

The NAO also warned that there was only a small number of suppliers who were able to produce the biometric chips needed for ePassports (and who would, presumably, be responsible for the chips in Identity Cards).

According to the NAO, the durability of the chip for the full ten year life of an ePassport “remains unproven”. They note that the manufacturers are currently only providing a chip warranty for two years<sup>73</sup> although it is unclear what the warranty actually covers<sup>74</sup>.

Our *main report* had raised the concern that chips might need to be replaced within the 10 year life span of each identity card. The Home Office response to the LSE Blueprint on the Scheme<sup>75</sup> refuted this claim, stating: “The Government has consulted a cross section of the card manufacturing industry and the majority has indicated that a 10 year card life would be feasible. Indeed, Hong Kong’s ID card is forecast to have a 10 year life. Meanwhile, Communications Electronic Security Group (CESG) has designed an electronic security scheme that will remain robust for 10 years against people trying to create forged cards”<sup>76</sup>.

**Given the latest evidence regarding the challenges in assuring the lifespan of identity documents and technologies, we recommend that the Home Office inform Parliament on the contingencies in place and their likely costs in the event of chip failure.**

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71 [http://www.nao.org.uk/publications/nao\\_reports/06-07/0607152.pdf](http://www.nao.org.uk/publications/nao_reports/06-07/0607152.pdf)

72 Para 3.8

73 Paras 3.1, 3.3

74 [http://www.theregister.com/2007/02/07/nao\\_epassport\\_report/](http://www.theregister.com/2007/02/07/nao_epassport_report/)

75 [http://www.identitycards.gov.uk/downloads/Response\\_LSE\\_Alternative\\_Blueprint.pdf](http://www.identitycards.gov.uk/downloads/Response_LSE_Alternative_Blueprint.pdf)

76 Page 2

## WHEN THE REPORT WAS PUBLISHED

Section 37 of the Identity Cards Act is very clear about the obligation to provide reports on costs to Parliament:

### 37 Report to Parliament about likely costs of ID cards scheme

- (1) Before the end of the six months beginning with the day on which this Act is passed, the Secretary of State must prepare and lay before Parliament a report setting out his estimate of the public expenditure likely to be incurred on the ID cards scheme during the ten years beginning with the laying of the report.
- (2) **Before the end of every six months** beginning with the laying of a report under this section, the Secretary of State must prepare and lay before Parliament a further report setting out his estimate of the public expenditure likely to be incurred on the ID cards scheme during the ten years beginning with the end of those six months.
- (3) References in this section, in relation to any period of ten years, to the public expenditure likely to be incurred on the ID cards scheme are references to the expenditure likely to be incurred over that period by the Secretary of State and designated documents authorities on—
  - (a) the establishment and maintenance of the Register;
  - (b) the issue, modification, renewal, replacement, re-issue and surrender of ID cards;
  - (c) the provision to persons by the Secretary of State of information recorded in individuals' entries in the Register.
- (4) If it appears to the Secretary of State that it would be prejudicial to securing the best value from the use of public money to publish any matter by including it in his next report under this section, he may exclude that matter from that report.<sup>77</sup>

The Act received Royal Assent on 31 March 2006, with the new Identity and Passport Service created on 1 April 2006. The first s37 report was issued by the Secretary of State on 9 October 2006 (the first day that the House sat, after the summer recess).

Thus, according to the Act, the second cost report was required to be laid before Parliament no later than 9 April 2007 (six months after the first report was issued). The House rose for Easter recess on 29 March 2007 and returned on 16 April 2007. Thus, the report could have been issued before the House rose (on any date up to 29 March 2007) or shortly after the House returned (16 April 2007). The Strategic Action Plan was issued on 19 December 2006, the last day of business before the House rose for the Christmas recess.

On 25 April 2007, the Junior Minister Joan Ryan gave a written answer about the costs of the Scheme, where she noted

Revised cost estimates have been published from time-to-time, for example, when the Identity Cards Bill was introduced to Parliament. During the passage of that legislation, the Government agreed to lay a report before Parliament every six months,

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<sup>77</sup> [http://www.identitycards.gov.uk/downloads/ukpga\\_20060015\\_en.pdf](http://www.identitycards.gov.uk/downloads/ukpga_20060015_en.pdf) Emphasis added

which sets out the estimated cost of the National Identity Scheme for the coming 10 years<sup>78</sup>.

The minister answered a further question on costs<sup>79</sup> on 30 April 2007, repeating the information that the total expenditure on the Scheme to the end of September 2006 was £58 million since the start of the 2003–04 financial year.

On that same day, she also gave an oral answer in Parliament to a direct question about when the second cost report would be issued.

Dr. Vincent Cable (Twickenham) (LD): Will the Under-Secretary explain why the ID card cost report, which was due to be published a month ago, did not appear, even though the Government have a legal obligation to ensure its publication?

Joan Ryan: The costs will be presented, as we are committed to doing, in the cost report, which will be published shortly and in the Identity and Passport Service annual accounts for 2006-07. The hon. Gentleman can rest assured that the report will be before him soon<sup>80</sup>.

The report was finally issued on 10 May 2007, the same day as Tony Blair announced his plans to step down as Prime Minister. Opposition parties and the press questioned the timing of the issuing of the report as an attempt to “bury bad news”.

According to The Independent:

The Home Office said the delay was “not significant” and denied that the report had been postponed because of last week’s council elections.

According to The Scotsman:

A Home Office spokeswoman denied the delay claims. “The announcement has been in the diary ... it is no secret”, she said. “We have not been able to publish it exactly six months after the last one because parliament has been in recess. A delay of just four weeks is not significant when it comes over a 10-year period.”

The Herald reported:

Last night, the Home Office said April 9, when the new ID costs were expected to be released, had fallen during Westminster’s Easter holiday and the department had released the figures “as soon as we possibly could”. The timing with Mr Blair’s departure announcement was coincidental, a spokeswoman insisted.

The claims that the report was issued as soon as possible after the Easter break, on a date that was always in the diary, is difficult to reconcile with the statements by the Junior Minister. If the date for the report to be issued had been agreed, Parliament could have been informed of this on 25 April 2007 or even 30 April 2007.

The risks of politicians choosing to ignore the implications of their own rules were recognized by John Locke who, writing in his Second Treatise on Government, noted that:

because it may be too great a temptation to human frailty, apt to grasp at power, for the same persons, who have the power of making laws, to have also in their hands the power to execute them, whereby they may exempt themselves from obedience to the

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78 Answer to Q 133294

79 Answer to Q 134288

80 Hansard 30 April 2007 Column 1220

laws they make and suit the law, both in its making and execution, to their own private advantage and thereby come to have a distinct interest from the rest of the community, contrary to the end of society and government<sup>81</sup>.

As a result, he recommended:

in well-ordered common-wealths, where the good of the whole is so considered, as it ought, the legislative power is put into the hands of divers persons, who duly assembled, have by themselves, or jointly with others, a power to make laws, which when they have done, being separated again, they are themselves subject to the laws they have made; which is a new and near tie upon them, to take care, that they make them for the public good.<sup>82</sup>

Although s37 was intended to allow Parliamentarians to monitor the progress of the costs of the Scheme, the late release of the report is hampering Parliament's abilities in this role. Moreover, there appears to be no formal mechanism for Parliament to act after the reports are issued.

**We therefore recommend that a formal debate be held after each s37 report is issued to allow for the implications of the cost reports to be discussed.**

**We further recommend that the consequences of late delivery of future reports be clarified, so that Home Office is kept in line and is no longer able to claim that "four weeks in ten years is not significant".**

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81 Sec 143

82 Sec 143

## REVIEW OF RECOMMENDATIONS FROM OUR FIRST RESPONSE

Our *first response* made a series of recommendations for future s37 cost reports, with the intention of improving their usefulness for Parliamentarians.

We made eighteen recommendations and are pleased to see that some appear to have been incorporated in the second cost report. Others, however, have been overlooked and we reassess their relevance.

Recommendations	Implemented?	Commentary
1. Future s37 reports should provide annual cost estimates and not just 10-year totals for both set up and operating costs.	Partially implemented	The detailed disclosure of the additional staff costs over the next ten years is a step in this direction
2. They should include a detailed breakdown of how the projected costs presented during the Parliamentary process compare to the current estimates in all future reports.	Implemented	Tables 1–4 provide this information for comparison
3. Parliament should be informed as to funds expended to date and how these funds were disbursed (including contractors' names).	Partially implemented	As noted above, Parliament has only been provided with total expenditure so far (£58 million) and the deduction of estimated costs of £200 million for the period October 2006–April 2007.
4. The reports should explicitly state if cost elements are excluded for procurement reasons.	N/A	As procurement has not yet begun, this recommendation is not applicable at this time
5. Future s37 reports should describe in detail any policy and design changes that have led to changes in cost structures and how these relate back to the stated benefits. Any changes to the Scheme must be announced and contrasted with statements made when the Bill was in Parliament.	Not implemented	As noted above, there has been a radical redesign of the Scheme, the details of these changes in terms of costs, benefits or design decisions have not been reported on or contrasted with earlier statements made to Parliament.

<p>6. Following from the recommendation from the KPMG report, a formal process should be put in place to link the Programme risk register and risk assessments to the factors considered for the estimation of optimism bias/contingency factors. The risks on the programme risk register could be grouped into the four areas of overall risk considered in the determination of the optimism bias adjustment factors. A weighting could be assigned to the risks within each category. This process should also be communicated with Parliament, potential vendors, and the general public.</p>	<p>Not implemented</p>	<p>This is not reported on.</p>
<p>7. The Home Office should proceed with a new round of OGC reviews of the Scheme due to the significant changes that appear to have now taken place. Because of the lack of Parliamentary scrutiny of the new Scheme, this review and all internal reviews be made public.</p>	<p>Not implemented</p>	<p>It is not clear if the radical redesign of the Scheme has resulted in a new round of OGC gateway reviews. As noted above, the results of the previous Gateway reviews have not been made public.</p>
<p>8. The Home Office should reveal whether and to what extent its cost estimates have been reviewed by persons or bodies independent of the Home Office, giving the dates, purposes and conclusions of such reviews.</p>	<p>Partially implemented</p>	<p>Although not explicitly stated, the disclosure of incorrect attribution of costs indicates that a separate review of the costs has been undertaken.</p>
<p>9. Parliament should be informed as to whether the roll out of biometric identity cards for UK citizens will be based, in the first instance, on fingerprint identification only, or whether other biometrics (e.g. iris recognition) will be used from the start.</p>	<p>Not implemented</p>	<p>As noted above, the dropping of iris scanning can only be inferred from various government statements.</p>
<p>10. Parliament should be informed as to how a phased-in approach to biometrics will affect the ability of the register to achieve stated policy goals. (E.g. if iris scanning is implemented in 2012, then the entire population will only be uniquely iris scanned by 2022, thus delaying the use of iris scanning to register and verify individuals who can not be fingerprinted).</p>	<p>Not implemented</p>	<p>There is no information on this, in part a consequence of the lack of clarity noted in 9.</p>
<p>11. If UK passport policy is being driven by Schengen area requirements, Parliament should be informed about the relative costs of issuing such biometric travel documents in the Schengen area and those issued in the UK.</p>	<p>Not implemented</p>	<p>The House of Lords European Union Committee report on the Schengen Information System does provide some indication of the costs associated with Schengen.</p>

12. The Government should begin disclosing non-commercial design decisions such as the number of enrolment centres, so that Parliament can better understand the extent of the Scheme.	Partially Implemented	The locations of the 69 centres for the application by interview for first time passport holders have been disclosed. The far larger number of centres for ID card enrolment has not been disclosed.
13. The DWP and OGC should immediately publish the information as required by the Information Commissioner and cease any appeals to prevent its release.	Not implemented	See discussion above.
14. Parliament should be informed, as a matter of urgency, when trials of biometric technology will take place, how long the trials are intended to run for and how the results of the trials will feed into the procurement process	Not implemented	No information about any recent biometric trials has been made available
15. The Government should respond to the criticism of the Science and Technology Committee on the increasing confusion over the stated purpose of the scheme.	Not implemented	The stated purposes of the Scheme remain open, including a claim by the Prime Minister that "The case for ID cards is a case not about liberty but about the modern world"
16. The Government should explain to Parliament why the existing systems of visa verification by employers are insufficient and open a consultation period to solicit comments on regulatory costs and implications	Not implemented	
17. The Government should conduct a consultation with health practitioners on social exclusion and identity requirements	Not implemented	
18. The Home Office should inform Parliament on the timeline for project deployment so as to create greater certainty	Partially implemented	The Strategic Action Plan indicates that the first cards will be issued in 2009 with "significant volumes" of ID cards being issued along with passports from 2010