

# ANALYSIS OF HOME OFFICE COSTS REPORT OF OCTOBER 2006

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THE LONDON SCHOOL  
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## Summary

Throughout the Parliamentary debates about the Identity Cards Bill, members of both Houses expressed considerable concern about the Government's ability to deliver successfully a system of the scale proposed by the legislation. In light of these concerns, the Government accepted an amendment requiring a report to Parliament, every six months, about the likely costs of the ID cards scheme over the next 10 years. On 9 October 2006 the first such report was produced, six months after the Act received Royal Assent.<sup>1</sup>

In light of the concerns raised by Parliamentarians, and particularly the recent internal review of the Scheme by the Home Office, one would not expect that the resulting report would appear as a 'marketing document' selling the potential benefits of a Scheme that has already received Parliamentary approval. Instead, one would expect an informative report that would enable Parliamentary due process to review the scheme and, if necessary, "take action to stop it before it is too late". The *s37 report* presented to Parliament consists almost entirely of re-statements of existing claims about the benefits of the use of biometric identity cards, plus a brief table providing aggregated estimated costs for the next ten years.

Public confidence in identity cards is declining and the Home Office has been repeatedly urged to improve transparency about the nature of the system and its procurement.<sup>2</sup> Instead, they have issued a document that raises more questions than it answers and fails to provide Parliament with the necessary information it needs to make decisions about this important policy development. An instantiation of this attitude to Parliament can be found in the statement that "it may not always be possible to provide updated cost estimates in each report"<sup>3</sup>, despite this being a statutory duty under the terms of the Act.

### Recommendations

- 1. Future s37 reports should provide annual cost estimates and not just 10-year totals for both set up and operating costs.**
- 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.**
- 3. Parliament should be informed as to funds expended to date and how these funds were disbursed (including contractors' names).**
- 4. The reports should explicitly state if cost elements are excluded for procurement reasons.**
- 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**

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<sup>1</sup> Hereafter referred to as the 's37 report', available at <http://www.identitycards.gov.uk/downloads/costreport37.pdf>

<sup>2</sup> For instance, see the summary of the Select Committee on Science and Technology Sixth Report on identity cards, August 2006, available at <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmsctech/1032/103203.htm>

<sup>3</sup> <http://www.identitycards.gov.uk/downloads/costreport37.pdf> Page 10

**benefits. Any changes to the Scheme must be announced and contrasted with statements made when the Bill was in Parliament.**

- 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.**
- 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.**
- 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.**
- 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.**
- 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).**
- 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.**
- 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.**
- 13. The DWP and OGC should immediately publish the information as required by the Information Commissioner, and cease any appeals to prevent its release.**

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.**
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.**
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.**
17. **The Government should conduct a consultation with health practitioners on social exclusion and identity requirements.**
18. **The Home Office should inform Parliament on the timeline for project deployment so as to create greater certainty.**

# CONTEXTUAL INFORMATION ABOUT THE NEED TO PRESENT SIX MONTHLY REPORTS ON COSTS

On October 9th, 2006, UKIPS published its first account of costs six months after the Act was passed, as was required by the compromise amendment approved in the later stages of the Bill's passage through Parliament. The intent of Parliament was to ensure an open process to the development and implementation of the Scheme, requiring reports that would help Parliamentarians make informed decisions about its progress.

When the Identity Cards Bill was (re)presented to Parliament in May 2005, the accompanying regulatory impact assessment stated:

The current best estimate is that the total average annual running costs for issuing passports and ID cards to UK nationals is estimated at £584m. Some set-up costs will be incurred after the first ID cards / biometric passports are issued as it will be more cost effective to build parts of the infrastructure incrementally.<sup>4</sup>

This figure of £584 million was not believed by many parliamentarians, who feared that this scheme, like many government IT projects, would invariably end up costing far more. For example, David Winnick MP said:

The costs now ventured by the Government are unlikely to be the final costs. Who really believes otherwise?<sup>5</sup>

This point was echoed by Austin Mitchell MP:

The costs will be enormous. The Government estimates keep going up and will go up again. The current estimates are going up even before anything has happened, and they are bound to increase further.<sup>6</sup>

To address these concerns about its costings, the Home Office commissioned KPMG to review its cost methodology.<sup>7</sup> This report, published on 7 November 2005, concluded that:

the methodology used to cost the ID Cards proposals is robust and appropriate for this stage of development.<sup>8</sup>

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<sup>4</sup> 'Regulatory Impact Assessment', released by the Home Office for the Identity Cards Bill, Introduced to the House of Commons on May 25, 2005.

<sup>5</sup> Hansard 28 June 2005, Column 1185

<sup>6</sup> Hansard June 28, 2005, Column 1215

<sup>7</sup> KPMG, "Cost methodology and cost review: Outline business case review: Published Extract," 2005. Available at [http://www.identitycards.gov.uk/downloads/2005-11-7\\_KPMG\\_Review\\_of\\_ID\\_Cards\\_Methodology.pdf](http://www.identitycards.gov.uk/downloads/2005-11-7_KPMG_Review_of_ID_Cards_Methodology.pdf)

<sup>8</sup> Ibid, p.1.

It recognised:

the high quality of the Outline Business Case and supporting information that has been produced to date by the ID Cards Programme. The staff involved have a high level of experience and knowledge in the preparation of business cases and have taken a considerable amount of care and attention in producing a very detailed and comprehensive set of documents.<sup>9</sup>

However, during a meeting at the House of Lords in November 2005, the then Junior Minister, Mr Burnham revealed a narrower definition of costs for the Home Office estimate than had previously been understood. That is, he clarified that the £584m per year was only the cost to be incurred by the Home Office itself, for the administration of the system, and not the cost to the Home Office as a whole (e.g. immigration services), let alone the government as a whole (e.g. costs to implement biometric readers and changing systems at welfare and benefits offices).

This was picked up in the debates in the House of Lords the following week, for example, Lord Waddington said:

I should like to put some very straightforward questions to the Government. When they put forward a figure of £5.8 billion, are they talking purely about the launching costs for the Home Office? Are they excluding all the other costs involved for the scheme to have any use at all? Those other costs will clearly involve adapting the computer systems in other government departments so that they may have access to the Home Office computer and to the information on the register. What will be the cost of adapting all those computer systems so that others may use the information kept on the National Identity Register? Am I right in saying that those costs are not included in the figure of £5.8 billion put forward by the Government? If I am, what is the total figure?

Nobody has begun to answer, on behalf of the Government, these crucial questions, and I hope that if the Minister cannot answer us today she will give a firm undertaking to give a detailed statement of these costs as soon as possible and before we proceed very much further with the Bill. I agree entirely with the noble Lord, Lord Barnett, that it is very difficult to debate any of these matters when the costs may be so astronomical as not to equate with any benefits that will accrue from the scheme.<sup>10</sup>

In January 2006, Baroness Noakes reported:

Our Committee stage was unusual, in that we failed to get any useful information, despite spending several hours on the matter. In fact, our only achievement was to establish with more precision what the Government would not tell us about costs.<sup>11</sup>

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<sup>9</sup> Ibid.

<sup>10</sup> Hansard 15 November 2005, Column 973

<sup>11</sup> Hansard 16 January 2006, Column 428

The opposition Lords voted through an amendment that sought more information about the costs before the Scheme would proceed. It was introduced by Lord Phillips who said:

I would not be as adamant about this—and, I am sure, many of your Lordships would not feel as keenly—were it not that what information we have been given has been extracted with as much difficulty as if we were pulling out the Prime Minister's teeth.

We have received a single figure for annual running costs of £584 million, but we have received no information whatever about capital costs.

The Minister's figure of £584 million is only a small slice of the overall picture—it is the big picture that we are trying to see.<sup>12</sup>

This amendment would require that the implementation of the Scheme be delayed until the National Audit Office had undertaken a full review of the costs and viability of the Scheme. In debate in the House of Commons, this amendment was overturned and replaced by one put forward by Labour MP Frank Dobson.

Introducing the amendment, Mr Dobson noted:

As I have said, it is not the initial estimate or its nature or make-up that bothers me. IT systems companies such as EDS and Siemens appear to be competing for the title of intergalactic rip-off IT merchant of the decade, and have ripped off the public and private sectors time and again through their negligence, incompetence and stupidity, usually resulting in massive costs increases for users and huge delays. Our first job as the House of Commons, save to protect the security of the nation, is to control the raising and spending of taxpayers' money. It is not overstating the case to say that a considerable number of people are doubtful about the Ministers' original estimates of the cost of the ID scheme. Nobody should suggest that that springs from deliberate deception, but all IT schemes seem to have had substantial cost overruns—with the exception, I might say, of NHS Direct, which did not involve any outside consultants, was done entirely in house, and worked.

I am prepared to accept at face value Ministers' original estimate of about £6 billion. The problem is that if we go on as we usually do, several years hence we will happen to learn from an article leaked to a newspaper or some technical IT journal that the costs have gone into the stratosphere. My amendment will require the Government to report to the House regularly every six months, so that if huge increases are taking place, it will not be too late for us to say stop.

The original £6 billion estimate may turn out to be correct, in which case my hon. Friend the Minister and the Home Secretary will have brought about a modern miracle. As I understand it, having demonstrated a miracle, they would qualify for canonisation as saints during their own lifetime. I think that that is unlikely and that we can expect sudden huge escalations in

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<sup>12</sup> Hansard 16 January 2006, Column 430

costs, but **if we pass my amendment, we will know and be able to take action to stop it before it is too late.**<sup>13</sup>

The amendment that was drafted at these late stages took the following form: Section 37 of the Act requires the Government to report to Parliament every six months an estimate of the public expenditure likely to be incurred on the Scheme over the following ten years. The costs must cover

- (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

The costs to be produced by this amendment were intended to be more detailed than the gross figures produced in response to Parliamentary Questions. Responding to a question by Mr Carmichael in February 2006, Mr Clarke wrote that:

Since the beginning of the financial year 2003–04, £32.05 million has been spent by the Identity Cards Programme up to the end of December 2005 [47572].

A follow up question, by Lembit Öpik in September 2006, revealed that:

Since the start of the financial year 2003-04, £46.4 million has been spent in total on the identity cards scheme up to the end of May 2006. [89025]

That is, between December 2005 and May 2006 £14.35 million pounds had been spent on the 180+ staff<sup>14</sup> working on the Scheme.

### **Cost Information in the First s37 Report**

Unfortunately, the first *s37 report* complies only with the minimal requirements of the Act.

It claims that the estimated per year costs for operating the Scheme from 2006-2016 is £5.1bn plus a set-up cost of £290m. This amounts to £5.4bn over that period. This figure can be contrasted with the previous best estimate of £5.8bn operating costs, which the Home Office has now acknowledged covered the period 2009/2010–2018/2019.

The decision to simply provide ten-year aggregate figures is particularly unhelpful for Parliamentarians to monitor the progress of the Scheme. It would be far more informative if these figures were, as far as possible, estimated on an annual basis for the next ten years as the Home Office had previously done (particularly in UK Passport Agency annual reports). It would also be sensible to relate this information to previous estimates and actual expenditures.

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<sup>13</sup> Hansard 13 February 2006 Column 1221 Emphasis added

<sup>14</sup> Science and Technology Committee Report on Identity Card Technologies: Scientific Advice, Risk and Evidence, August 2006, paragraph 14, available at <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmsctech/1032/1032.pdf>

The report goes on to explain that this figure does not include the costs of registering foreign nationals because those costs will be largely recovered by user-charging. The cost estimates also exclude the costs to other government departments and organisations to use the Scheme. It does, however, include “for completeness” the cost of the National Identity Scheme Commissioner, which was not required to be included. It is unclear whether this is considered a set-up or operational cost (or combination of the two).

Of the thirteen page *s37 report*, only 1 page is spent looking at costs; of that page only half of it actually explains those costs.

A recent book on the Identity Cards Act<sup>15</sup> draws particular attention to the sensible caveat in s37(4) that allows the Home Secretary to edit his report due to procurement reasons, but does not require the Home Secretary to inform Parliament that he has done so. By providing only three gross figures in this *s37 report* it is unlikely that items were specifically excluded for procurement reasons, but this issue may become more significant in future reports.

### **Recommendations**

**Future *s37 reports* should provide annual cost estimates and not just 10–year totals for both set up and operating costs.**

**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.**

**Parliament should be informed as to funds expended to date and how these funds were disbursed (including contractors’ names).**

**The reports should explicitly state if cost elements are excluded for procurement reasons.**

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<sup>15</sup>Wadham, John, Caoilfhionn Gallagher and Nicole Chrolavicius, 'Blackstone's guide to the Identity Cards Act 2006', Oxford University Press, Oxford, 2006. Section 11.26.

# FROM PROPER PLANS TO MAJOR FAILURES

## The perplexing situation of the major scheme

According to the Identity and Passport Service website, very little has happened since the Identity Cards Act received Royal Assent on 30 March 2006. The new agency, the Identity and Passport Service (UKIPS) was created on 1 April 2006.<sup>16</sup> The new service published its ten year plans<sup>17</sup> and James Hall was appointed as the first Chief Executive of the service on 22 September 2006.<sup>18</sup> On 24 July 2006, UKIPS announced a 29% rise in the passport fee (to £66 for a regular adult passport) “to allow the introduction of the latest generation passport to international standards as well as other anti-fraud measures such as enhanced background checks on applicants and preparations for face-to-face interviews for first-time adult passport applicants”.<sup>19</sup>

In practice, however, the Scheme has been subject to internal and external scrutiny and many problems with the proposals have been highlighted. On 9 July 2006, the Sunday Times printed leaked emails (sent on 8 and 9 June 2006) from senior officials responsible for the Scheme warning that ID cards were doomed.<sup>20</sup>

In August an influential report produced by House of Commons Science and Technology Select Committee into the use of scientific evidence by government in relation to the Identity Cards Scheme criticised the lack of clarity with the government’s plans.<sup>21</sup>

As a result, the Home Office launched an internal review of the Scheme (which according to the *s37 report* is still ongoing). Other than suggesting that the costs of the Scheme might be reduced as a result of this review, however, there is no reflection on the fact that such a review was even necessary. This is particularly surprising, given the argument presented by Baroness Scotland in the House of Lords:

A change in the way in which the scheme is to be phased in would require considerable re-working of the current identity cards business plan and procurement strategy. This would create further delay in the programme and so could add to costs.<sup>22</sup>

Moreover, the *s37 report* states that the costs have been subject to a variety of rigorous challenges, including OGC Gateway reviews, scrutiny from HM Treasury and a review of the KPMG cost methodology. As we understand it, all of these reviews were based on the initial version of the Scheme, as it was debated in Parliament. If, as appears likely, the Home Office review of the Scheme results in a markedly different

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<sup>16</sup> 'Identity cards bill receives royal assent', Identity and Passport Services News, March 30, 2006, available at [http://www.identitycards.gov.uk/news\\_30-03-06.asp](http://www.identitycards.gov.uk/news_30-03-06.asp)

<sup>17</sup> 'Safeguarding your identity: IPS sets out ten year plans', IPS News, April 21, 2006, available at [http://www.identitycards.gov.uk/news\\_21-04-06.asp](http://www.identitycards.gov.uk/news_21-04-06.asp)

<sup>18</sup> 'New Chief Executive for Identity and Passport Service', IPS News, September 22, 2006, available at [http://www.identitycards.gov.uk/news\\_22-09-06.asp](http://www.identitycards.gov.uk/news_22-09-06.asp)

<sup>19</sup> 'ePassport Fees Announced', IPS News, <http://www.passport.gov.uk/news/news.asp?strAreaNo=320&intelement=1127>

<sup>20</sup> The Sunday Times, "ID Cards doomed, say officials," The Sunday Times, July 9th, 2006, Available at <http://www.timesonline.co.uk/article/0,,2087-2262437.html>

<sup>21</sup> Available at <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmsstech/1032/103202.htm>. Also see 'ID Card plans lack clarity - MPs', BBC News, August 3, 2006, available at [http://news.bbc.co.uk/1/hi/uk\\_politics/5243474.stm](http://news.bbc.co.uk/1/hi/uk_politics/5243474.stm)

<sup>22</sup> Hansard, 20 March 2006 Column 22.

scheme it is unclear how relevant these earlier reviews would be, particularly as they failed to warn of the possible problems that triggered the Home Office review.

Throughout the Parliamentary process, ministers assured Parliament that the plans for the proposed Identity Cards Scheme were in hand and that the system would not be the failure that so many feared. On 18 October 2005, Tony McNulty told parliament:

I am not over-enchanted of the success achieved by huge Government IT procurement projects introduced on the big bang model. I place it on record that, in the recent past and under both parties, the litany of failure is far too replete. The responsibility is not specific to one party, and that is why it would be foolish to introduce this process according to the big bang model.

We are not saying that we can go from what we have now to a database covering 60-odd million people overnight, hoping and praying that the IT and the procurement will work and that everything will be successful. **We have learned the lessons of the past, and this project has to be rolled out on a phased basis.**<sup>23</sup>

On 31 October 2005, Baroness Scotland told the House of Lords:

Projects such as this will always face such challenges and opinions in the field of technology will differ. However, the body of representations within industry, existing project experience and research by established experts in the field of biometrics and database technology indicate that **we are right to proceed with our plans at this stage**. As with all major government projects, the technology behind the identity card scheme will ultimately come from the industry, and **key sections of the industry are telling us that the technology can work**.

An identity technology advisory group representing leading technology companies in this field says that if the UK decides to pursue such a scheme it will work. The industry can also point to a number of existing technology projects run successfully, including many for the United Kingdom Government using large databases.<sup>24</sup>

During the key Commons debate on 13 February 2006 Mr Clarke told the House of Commons:

The nearest major IT project in the area was for the passports agency, which was widely criticised five or six years ago. Its IT programme now handles some 40 million to 44 million database files and had the most efficient public service in the country, beating major private sector providers from the consumer point of view, such as Amazon, eBay and Virgin, as the result of a major effective public sector IT investment, changing the quality of life for everyone.<sup>25</sup>

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<sup>23</sup> 18 October 2005 Column 764–765 Emphasis added

<sup>24</sup> 31 October 2005 Column 311 Emphasis added

<sup>25</sup> 13 February 2006 Column 1118

In the same debate, Mr Burnham assured the House that:

The scheme has been through a series of gateway reviews, and ... that directly builds on experience learned from past failures. Some of the people involved in the process have been involved in other major public and private sector procurement. ... **Obviously, they have clearly learned the lessons and know exactly what they are doing now.**<sup>26</sup>

When Junior Home Office Minister Joan Ryan appeared before the Science and Technology Select Committee on 14 June 2006, she told the committee:

I would like to go back to an earlier answer when I said there is another issue and that is about our responsibility to the public and the issue of trust. I do not think anything can be more important than getting it right. That would be my answer. I hope we can do that in a timely fashion, meeting a reasonable timescale, but nothing is more important than getting it right. If scientific evidence comes forward that tells us there is an issue, it will depend on the evidence. We will have to have that evidence assessed. I have no doubt we will be discussing it here. It would depend on what the issue is. I cannot comment on a hypothetical problem. **I am not anticipating something major that would completely delay or derail the programme.** I would like to reassure the committee that nothing is more important than getting this right.<sup>27</sup>

However, on 9 July 2006, the Sunday Times published a story featuring leaked emails from key civil servants<sup>28</sup> who warned of major problems with the Scheme and that they were setting themselves up “to fail”. These emails were sent on 8 and 9 June 2006.

Since these stories were printed, the Home Office has announced a thorough review of the Identity Cards Scheme.<sup>29</sup> At a fringe meeting during the Labour Conference in Manchester in September, the Home Office Minister Liam Byrne announced that the costs of the Scheme could be cut “quite substantially” by making use of existing government databases.

Apart from these statements, there has been no formal announcement about the likely direction of any revised plans. In particular, it is not clear which databases are going to be used, especially given the statement by Katherine Courtney, then Director of the Identity Cards Programme, in oral evidence to the Science and Technology Select Committee who said:

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<sup>26</sup> 13 February 2006 Column 1207 Emphasis added

<sup>27</sup> <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmsctech/1032/6061403.htm> Answer to Q1175 Emphasis added

<sup>28</sup> The Sunday Times, “Emails from Whitehall officials in charge of ID Cards,” The Sunday Times, July 9th, 2006, Available at <http://www.timesonline.co.uk/article/0,,2087-2261631.html> Now also available officially from [http://www.identitycards.gov.uk/downloads/foi/3905\\_URN\\_129.pdf](http://www.identitycards.gov.uk/downloads/foi/3905_URN_129.pdf)

<sup>29</sup> ‘Identity card scheme faces delay’, BBC, July 11, 2006, available at [http://news.bbc.co.uk/1/hi/uk\\_politics/5168524.stm](http://news.bbc.co.uk/1/hi/uk_politics/5168524.stm)

I did not mean to imply that a solution 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>30</sup>

We are unable to reconcile these statements.

### **Problems with Reusing Existing Databases**

If the revised scheme intends to make use of the existing passport database, then in addition to the problems of security breaches described below, this database of individuals is believed to contain details of the passports issued fraudulently every year. (It is unclear as to how many such passports are issued every year. The UKIPS website suggests over 10,000 fraudulent UK passports are issued every year<sup>31</sup> whilst figures provided as part of a Freedom of Information request reports fraudulent application detection rates of between 1100 and 2400 each year.<sup>32</sup>)

If the Department of Work and Pension's databases are to be used, then there are problems with any database based on National Insurance Numbers (as outlined below). For example, in the ID cards debate on 28 June 2005 MP John Hemming reported that:

there are 73 million live national insurance records, but only 46.5 million people in this country are entitled to have a national insurance record.<sup>33</sup>

If the DVLA database is to be used, then a recent survey by the National Audit Office indicates that error rates remain high, with 27% of all records containing at least one error.<sup>34</sup>

### **Problems with Verification Services**

A further problem, that has not been formally addressed by Home Office statements about the revised Scheme, is how the new system will be paid for. Our report on Home Office Accounting issued in March 2006<sup>35</sup> noted that Charles Clarke said that the identity cards Scheme would be paid for in three ways:

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.<sup>36</sup>

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30 <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmsctech/1032/1032.pdf> Answer to Q366 Emphasis added

31 <http://www.identitycards.gov.uk/benefits-facts-fraudulent.asp> and [http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm050706/text/50706w32.htm#50706w32.html\\_sbhd6](http://www.publications.parliament.uk/pa/cm200506/cmhansrd/cm050706/text/50706w32.htm#50706w32.html_sbhd6)

32 <http://www.passport.gov.uk/downloads/foi/2006-08-18URN1-15-FOICR-3683response.pdf>

33 28 June 2005 Column 1234

34 [http://www.nao.org.uk/publications/nao\\_reports/01-02/0102335iii.pdf](http://www.nao.org.uk/publications/nao_reports/01-02/0102335iii.pdf) para 69

35 <http://is2.lse.ac.uk/idcard/accountingreport.pdf>

36 13 February 2006 Column 1119 Emphasis added

Assuming a charge per verification of £1.30<sup>37</sup> we warned that the Scheme could have an estimated £1.81 billion cumulative deficit by 2018 for the combined passport–ID Scheme. These figures were based on a clear cut, single logical database against which all identity verifications would be made.

Calculating this income was problematic when there was a single National Identity Register (as required by the Act: “It shall be the duty of the Secretary of State to establish and maintain a register of individuals”). If, in fact, this database is to be built up incrementally using a variety of existing, legacy systems from diverse departments of government, then the payment of fees is likely to be proportionately more complex.

The most likely way out, therefore, would be to increase the fee per verification, so that the Scheme would make a profit.<sup>38</sup> Such fee increases would either be passed directly onto those whose identities are being verified, or they would be hidden in general price increases.

Given the frequent discussion of identity verification in the *s37 report*, it is important to be clear about the different kinds of verifications that are currently envisaged by the Home Office.

These are:

- Visual inspection of the card, comparing the photograph of the individual with the person presenting the card.
- Use of a PIN known to the card-holder (as is discussed below, the Government acknowledges that this is a relatively weak, and therefore risky, check). It could be implemented alongside existing CHIP and PIN devices.
- Biometric verification of identity. This could only be implemented using specialist biometric reading devices.

The last two are undertaken by verifying the biometric or the PIN against “a matching record on the Register containing their biometrics” and, presumably, will require the payment of a verification fee every time an identity is verified.

There is a real risk that increased fees for formal verifications could result in fewer formal verifications against the national identity register, with most uses of the identity card relying on visual inspection of the card. This could lead to the situation where a measure introduced to address issues of identity fraud actually leads to increased incidence of this type of crime.

It appears that the Home Office has already planned out how each form of verification will be used in many scenarios, for example, when employers undertake immigration checks or when enrolling students in schools. However, it is unclear how these proposals relate to existing legal obligations. For example, there is an existing visa database for employers to check potential employees against, as well as clear penalties for failing to do so.

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<sup>37</sup> based on the Home Office Trade–Off survey, i.e. The Home Office, ‘An assessment of awareness and demand for the Identity Cards Scheme’, October 2005, p.47.

<sup>38</sup> ‘ID card fee could make government a profit’, David Leppard, The Sunday Times, August 6, 2006, available at <http://www.timesonline.co.uk/article/0,,2087-2300775.html>

## Implementation and Deployment Problems

Chapter 15 of our main report in 2005 warned of the problems with government IT projects, suggesting that government's belief in the perfectability of technology was likely to continue to lead to problems. The past six months have seen a further range of high profile IT challenges in many areas of government, including the Home Office. Listing and diagnosing all these cost overruns, delays, and failures is a major process and is beyond the scope of this report. We will however highlight two challenges that the Home Office encountered:

- A police computer system recommended in the aftermath of the Soham murders has been delayed for three years and it is estimated that the cost of implementing the strategy has been put at £367 million. This is up from an estimate £164.5 million over four years that was published in January 2005.<sup>39</sup>
- A new, online passport application service broke down only three weeks after it was launched, causing delays in the processing of nearly 5000 passport applications.<sup>40</sup>

These systems will have undergone similar reviews to those for the Identity Cards Scheme, but nevertheless resulted in major problems. Whilst the government is endeavouring to learn from these experiences, the *s37 report* fails to acknowledge that government IT could still be improved and that the likely roll out and delivery of the scheme may still face many technical problems.

## Recommendations

**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.**

**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.**

**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.**

**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.**

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<sup>39</sup> 'Soham computer system is delayed', BBC, May 26, 2006, available at <http://news.bbc.co.uk/1/hi/uk/5016482.stm>

<sup>40</sup> 'Online passport applications halted', The Times, July 11, 2006, <http://technology.timesonline.co.uk/article/0,,20411-2264220.html>

## ON OPENNESS

When the Parliamentary Science and Technology Select Committee reported on the Identity Cards Scheme in August 2006 it noted:

We are sceptical about the validity of costs produced at this early stage. We acknowledge that the release of firm overall costing has been driven by political imperatives but the Home Office could have credibly given a broad range instead of precise figures. We note the danger that a desire to keep below a costs ceiling might drive the choice of technology. We seek assurances that the costings are flexible. We strongly recommend that, once the procurement process has taken place, the Home Office publishes a breakdown of technology costs, including set-up costs, running costs and predicted savings as a result of the scheme in the Home Office and elsewhere.<sup>41</sup>

This conclusion was driven, in part, from the fact that the Home Office breakdown of costs provided to the committee *in confidence* “only provided a broad overview and **did not include any figures**”.<sup>42</sup>

Thus, Parliament required the Home Office to produce a report on costs every six months and the Science and Technology Select Committee urged the Identity Cards Programme to enhance public support for the Scheme by providing a detailed breakdown of costs. This has not happened. Such lack of openness, especially for an already controversial scheme, is unlikely to increase public confidence in the proposals.

In addition to limited information about likely costs, disclosure of other information about the Scheme is also being kept to a minimum, increasing the sense that there must be something to hide. For example, the Information Commissioner’s Office has determined that the Department of Work and Pensions has failed to comply with its obligations under the Freedom of Information Act by not releasing the timescale and anticipated publication date for the feasibility study being undertaken by the DWP to establish the full impact, costs and benefits of the introduction of identity cards.<sup>43</sup> This decision notice, dated 5 June 2006, required the DWP to release this information to the complainant within 30 days.

Another adjudication was made regarding the Office of Government Commerce and its two pre-stage Zero and the actual Stage Zero Gateway Reviews of the Identity Cards Project. The Government was ordered to release the information. This decision was made on 31 July, but the Government had 28 days to appeal, which it eventually did. We will now have to wait even longer for a resolution to this case.<sup>44</sup>

### Recommendation

**The DWP and OGC should immediately publish the information as required by the Information Commissioner, and cease any appeals to prevent its release.**

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<sup>41</sup> Science and Technology Select Committee 2006 Conclusion 32

<sup>42</sup> Science and Technology Select Committee 2006 Paragraph 103 Emphasis Added

<sup>43</sup> [http://www.ico.gov.uk/upload/documents/decisionnotices/2006/Decision\\_Notice\\_FS50083103.pdf](http://www.ico.gov.uk/upload/documents/decisionnotices/2006/Decision_Notice_FS50083103.pdf)

<sup>44</sup> ‘Government hires legal experts to fight publication of ID card reviews’, Computer Weekly, October 13, 2006.

## ON BIOMETRICS, DESIGN AND IMPLEMENTATION

A key element of the proposed Scheme is the use of biometrics to ‘uniquely’ identify every identity card holder. As the then Junior Minister Andy Burnham wrote, in response to a question from Mr Khan:

Biometrics are being used to more strongly tie a verified identity to an individual. In this way, biometrics can be used along with an ID card to verify that identity against the record held for that card. **Other forms of authentication, such as PIN numbers and passwords can be stolen along with a card so are much weaker at linking a person to an identity.**<sup>45</sup>

Our main report in 2005 noted that the Home Office had undertaken no studies of the reliability of various biometric technologies and was, instead, relying on evidence from studies in other nations. This concern was also raised by the Science and Technology Select Committee who stressed the “limitations of advice and evidence from other schemes.”<sup>46</sup>

This is confirmed in a recent statement released under Freedom of Information obligations:

The goal of the UK passport Service Biometric Trial was to test the processes and record customer experience and attitude during the recording and verification of facial, iris and fingerprint biometrics, rather than test or develop the biometric technology itself—it was not a technology trial.

We will be undertaking further trials and testing in due course **but do not have any immediate plans for further trials at this stage.**<sup>47</sup>

This is in contrast to the statement made in the UKIPS Corporate Plan 2006–2016 which stated:

We anticipate piloting the recording of fingerprints as a second biometric from volunteers in late 2007. This prepares the UK to match mandated EU standards for both fingerprint and facial biometrics for Schengen area passports.<sup>48</sup>

As the UK is not part of the Schengen area, we are still unclear as to why UK government policy is being driven by these requirements. We also note that these statements, along with statements in the s37 report, do not indicate when iris scanning will be implemented and whether these were factored into the current cost estimates.

We are also curious about the design effects of integrating the Citizen's Information Project into the National Identity Scheme. Three weeks after Royal Assent, on 18 April 2006 the Government provided Parliament with a written statement that explained that the CIP had been completed and that all functionality

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<sup>45</sup> 19 July 2005 4167 Emphasis added

<sup>46</sup> Conclusion 18 of the Committee report.

<sup>47</sup> FOI request, available at <http://www.identitycards.gov.uk/downloads/foi/2006-08-23URN141FOICR4241response.pdf> Emphasis added

<sup>48</sup> 'Corporate Plan 06-16', IPS, page 31 available at [http://www.identitycards.gov.uk/downloads/IPS\\_Corporate\\_Plans06.pdf](http://www.identitycards.gov.uk/downloads/IPS_Corporate_Plans06.pdf)

would be embedded within the National Identity Register. We highly recommend the thorough analysis of the CIP-NIR merger, as presented in the Data Protection and Privacy Practice Newsletter from Pinsent Masons.<sup>49</sup> This analysis indicates that if the CIP is to be merged with the current Identity Card Scheme it is, again, quite different from the Scheme debated in Parliament. In fact, this is arguably a significant function creep where the National Identity Register must perform as both a verification registry and as a population register for data analysis. The *s37 report* even goes so far as to copy and paste information earlier from the CIP documentation, originally written while the Identity Card Bill was going through Parliament.<sup>50</sup> The Government could have informed Parliament of these additional uses at that time. Instead they insisted that any claims about additional uses of the National Identity Register were spurious, and the Government continually attacked arguments that claimed that the Bill was merely the 'thin edge of the wedge'. The *s37 report* even indicates that the register may now also replace the National Census. All these changes in policy have significant design implications, and raise serious security concerns.

We have serious concerns regarding the current plans for enrolment. According to the *s37 report*, there are plans to expand the number of Passport offices in order to deal with in-person applications for passports. This will involve 70 offices, compared to the current 7 passport offices. When all passport applications will have to be dealt with through in-person applications for the purpose of biometric and biographical enrolment into the Identity Cards Scheme, the number of offices required for this task will increase dramatically. We would expect that the *s37 report* would clarify this point but we were unable to find any such statement. Other experts have estimated 2000 enrolment centres would be required for the UK.<sup>51</sup>

## **Recommendations**

**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.**

**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.**

**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).**

**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.**

**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.**

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<sup>49</sup> 'Analysis: The secret transformation of the Citizen Information Project', in Data Protection and Privacy Practice Newsletter, Pinsent Masons, Issue 16, July 2006.

<sup>50</sup> Page 7 of the *s37 report* is identical to Page 1 of the undated final report from the CIP entitled 'Citizen Information Project: Better sharing of citizen data across the public sector'.

<sup>51</sup> 'Feasibility Study on the Use of Biometrics in an Entitlement Scheme', for UKPS, DVLA and the Home Office, National Physical Laboratory, page 29.

## ON EXPANDING PURPOSES

One of the key concerns raised by the Science and Technology Select Committee was the unclear and apparently ever shifting main purpose of the Scheme. Originally considered for terrorism, and then for access to benefits and other entitlements, later considered essential to combat identity theft, the purposes for the Scheme continue to expand. On top of the expansion of the uses of the National Identity Register through its merger with the Citizen Information Project, in recent statements from senior government officials are foreshadowing even greater uses.

In his speech to News Corps, the Prime Minister argued that forces of conservatism were blocking progress on identity cards:

Mass migration requires rules. Biometric technology means that countries are increasingly insisting on biometric visas, which in turn mean biometric passports. A biometric ID card is a short step away. It is, to me at least, almost incredible that the proposal to introduce an identity register in the UK should be so extraordinarily controversial. But it is.<sup>52</sup>

Upon his return he announced that identity cards would be a major plank to the next manifesto.<sup>53</sup> Days later the Observer reported that Gordon Brown was intending to further expand the use of identity cards and the national register for accessing automated teller machines, cars, and supermarket loyalty cards.<sup>54</sup> The *s37 report* suggests that the Scheme could be used to allow access to restricted areas “such as secure company buildings”. Despite the fact that these purposes were not discussed during Parliamentary deliberations on the Bill, the National Identity Register is set to become the central point of a vast data-sharing scheme.

### **Moving to Immigration**

In recent weeks we have noticed another shift in the purpose for the Identity Card Scheme. Following from the Prime Minister's speech to News Corps, recent statements about the Scheme from the Government have focused on illegal immigration.

The *s37 report* extols the virtues of the Scheme in tackling illegal migration, illegal working, identifying those who present a risk to the public and identifying asylum seekers' entitlements.<sup>55</sup> The Government also argues that it could help in being more proactive, through permitting government departments and organisations to contact people before their passport expires, when employees need to fill out self-assessment tax returns, targeting the 300,000 citizens who are currently not claiming state pensions or those in particular age ranges who are eligible for health screening; allowing local authorities to collect debt from citizens who have moved to another area; and reducing the overall administrative burden on

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<sup>52</sup> Prime Minister's Speech to News Corp, July 30, 2006, Pebble Beach, California, available at <http://www.number10.gov.uk/output/Page9937.asp>

<sup>53</sup> 'ID cards 'in Labour's manifesto'', BBC News, August 3, 2006.

<sup>54</sup> 'Brown to let shops share ID card data', Gaby Hinsliff, The Observer, August 6, 2006.

<sup>55</sup> Page 5 of the *s37 report*.

bereaved people.<sup>56</sup> This once again raises the question of why existing controls in this area are inadequate, and whether alternative, lower cost and lower risk solutions might exist to these particular problems.

Already companies are expected to verify the legal status of employees and can face large fines for employing illegal workers. As a result companies who wish to comply with the law are already requiring employees to show their visas (which are subsequently photocopied and filed). The identity card will do nothing more to aid this process other than to increase costs for firms if they have to do an on-line verification (and thus pay verification charges to the Home Office).

Most surprising is that the existing mechanisms are not being widely used. For example, prosecutions have been brought against just 23 firms between 1999 and 2003 under the Asylum and Immigration Act.<sup>57</sup>

The Department of Health already admitted to Parliament that it had no intention to integrate the Scheme into its NHS Care Record systems.<sup>58</sup> Similarly the Government has promised that parents would not be required to present identification when registering children at school. But the *s37 report* claims that one of its benefits is that the scheme would help tackle illegal migration through requiring identification for registering with a GP and enrolling children in school.<sup>59</sup>

More worrying is that this focus on immigration carries a darker connotation of increased use of stop-and-search powers. In turn it could push activities further into black market and increase social exclusion.

If the pressure is on global migration and illegal immigration and work we wonder why these reasons were not raised during the national election, in the manifestos, during the Parliamentary debate and are only being considered now, even as our confidence in information management continues to be shaken. We have recently seen a number of problems with the current management of registration and verification systems. The Home Office revealed major, systemic problems ranging from not penalising a firm that supplied five illegal immigrants who worked as cleaners at the Immigration and Nationality Directorate<sup>60</sup>, the statement that illegal immigrants are 'not hunted' unless they posed a risk to national security,<sup>61</sup> the claim that 2700 people had been mistakenly labelled as criminals by the Criminal Records Bureau.<sup>62</sup> Related problems arose with the Department of Work and Pensions, where a "loophole" meant that 3,300 suspected illegal immigrants were issued with National Insurance numbers in 2004–5.<sup>63</sup>

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56 Page 7 of the report.

57 'ID Cards on Trial: Illegal working myth exposed. Few rogue employers are actually prosecuted...', Andy McCue, Silicon.com, June 14, 2005, available at <http://management.silicon.com/government/0,39024677,39131178,00.htm>

58 Answer to Lynne Jones MP from Mr. Alexander, December 15, 2005.

59 Page 5 of the report.

60 'Home Office mandarins are not fit for bonuses', Roya Nikkhah and Melissa Kite, Daily Telegraph, September 3, 2006, available at <http://www.telegraph.co.uk/news/main.jhtml?xml=/news/2006/09/03/ncivil03.xml>

61 'Illegal immigrants not hunted', BBC, May 17, 2006, available at [http://news.bbc.co.uk/1/hi/uk\\_politics/4985744.stm](http://news.bbc.co.uk/1/hi/uk_politics/4985744.stm)

62 'Criminal records mix-up uncovered', BBC, May 21, 2006, available at <http://news.bbc.co.uk/1/hi/uk/5001624.stm>

63 'National Insurance loophole vow', BBC, June 1, 2006, available at [http://news.bbc.co.uk/1/hi/uk\\_politics/5036864.stm](http://news.bbc.co.uk/1/hi/uk_politics/5036864.stm)

## **Recommendations**

**The Government should respond to the criticism of the Science and Technology Committee on this increasing confusion over the stated purpose of the scheme.**

**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.**

**The Government should conduct a consultation with health practitioners on social exclusion and identity requirements.**

## ON THE ROLL OUT OF THE SCHEME

One of the consequences of the Home Office review of the Identity Cards Programme has been to further delay the formal procurement process. Indeed, the talk of the evolutionary development of the Scheme suggests that the kind of large scale procurement that had been discussed with industry for the past few years might not actually come about and might affect the ability of the programme to implement the Scheme as they intend.

More particularly, there is considerable uncertainty as to how long the ongoing reviews will take and when final decisions about procurement will be made. Thus, for example, page 9 of the *s37 report* talks about these reviews being ongoing “over the next few months” which suggests that procurement might begin by the end of the year. However, page 8 talks about the scope for better collaboration between public and private sectors which is the focus of Sir James Crosby’s Public/Private Forum. This, however, is not due to report in April 2007.

In this context, the decision not to have a clear timetable for testing the performance of biometric technologies adds further uncertainty to the likely first roll out of the Scheme for UK citizens.

When this is coupled with the uncertainty about the roll out of biometric technologies discussed above (where the UKIPS only envisages trialing fingerprint recording in late 2007), and the inevitable procurement process that must arise, it is increasingly unlikely that the first identity cards for British citizens will be issued by 2009.

### **Recommendation**

**The Home Office should inform Parliament on the timeline for project deployment so as to create greater certainty.**