

MACHINERY OF GOVERNMENT CHANGES

AN EXPLANATORY DOCUMENT

CONTENTS

A. Introduction

B. Initial analysis of the costs and benefits:

- 1) National Fraud Authority;
- 2) British Passports Overseas;
- 3) UK Civil Space;
- 4) National School of Government.

C. Conclusion

CABINET OFFICE

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A. INTRODUCTION

On 01 April 2011 the Government announced the following Machinery of Government changes:

- i. Transfer of the National Fraud Agency from the Attorney General's Office to the Home Office;
- ii. Transfer of responsibility for issuing British passports overseas from the Secretary of State for Foreign and Commonwealth Affairs to the Secretary of State for the Home Department;
- iii. Transfer of responsibility for the Galileo programme and the space component of the Global Monitoring for Environment and Security Programme to the Secretary of State for Business, Innovation and Skills from the Secretary of State for Transport and the Secretary of State for Environment, Food respectively;
- iv. The National School of Government being brought into the Cabinet Office and ceasing to be a separate non-Ministerial Department.

This Cabinet Office paper describes the consequences of these changes for Departments involved and sets out an initial analysis of the costs and benefits associated with each significant change, as well as the rationale. This document reflects the commitment the Government has made to ensure that for Machinery of Government changes the costs are tightly managed, benefits are delivered and that any changes represent value for money.

B. INITIAL ANALYSIS OF COSTS AND BENEFITS

1. NATIONAL FRAUD AUTHORITY

The Prime Minister announced on 01 April 2011 that, given the strong relationship between tackling fraud and wider economic crime, the Secretary of State for the Home Department would take responsibility and be accountable for the National Fraud Authority.

Context and rationale

The National Fraud Authority was created in 2008 as an executive agency of the Attorney General's Office. Its role is to lead work to counter fraud across the public, private and third sectors.

The primary reason for the transfer is to strengthen alignment with the Government's wider policies on economic crime which are led by the Home Office. The National Fraud Authority transferred as an executive agency. The Secretary of State for the Home Department became accountable to Parliament for the work of the National Fraud Authority. The Permanent Secretary for the Home Office became Accounting Officer for the Authority.

Alternatives considered

The Government also considered transferring responsibility for the National Fraud Authority to the Cabinet Office, given its role in driving forward a new Government response to public sector fraud. In considering the options the following criteria were considered:

Effectiveness: how effective is the arrangement for driving efficiency and harnessing the most effective use of resources?

Fit: Is there a good institutional fit with powers and the delivery of objectives and is there a legacy of enduring capability?

Cost: Are the benefits in balance with the costs of the change both now and in the future?

In respect of both effectiveness and fit the arguments in favour of the Home Office outweighed those for the Cabinet Office given the related work the Home Office is already undertaking on tackling wider economic crime and other areas of crime such as organised crime, identity crime and cyber crime which are closely linked with fraud. The Home Office also had stronger links to the police and other law enforcement agencies which are key public sector partners for the National Fraud Authority. Being sponsored by the Home Office was not felt likely to create any impediment to the National Fraud Authority's continued focus on public sector fraud on behalf of the Cabinet Office. There were some short-term costs associated with relocation but these are outweighed by the potential increased efficiencies.

Overview of the benefits and costs of change

The move to the Home Office involved the transfer of approximately 50 FTEs. The National Fraud Authority's ring-fenced allocation for the current spending review period of £3.8m/£3.61m/£3.45m/£3.3m p.a. transferred to the Home Office to be used to continue the work for which it was intended. It is also envisaged that the National Fraud Authority may receive additional funding from the National Cyber Security Programme.

2. BRITISH PASSPORTS OVERSEAS

The Prime Minister announced on 01 April 2011 that responsibility for the issuing of British passports overseas would transfer from the Secretary of State for Foreign and Commonwealth Affairs to the Secretary of State for the Home Department.

Context and rationale

All British passports issued by the UK Government are issued under the Royal Prerogative. In recent years this has been exercised by the Home Secretary and the Foreign Secretary:

- the Identity & Passport Service (IPS) is an executive agency of the Home Office and is responsible for issuing passports to British nationals resident in the UK, issuing approximately 5.2 million passports per year.
- the Foreign & Commonwealth Office (FCO) was previously responsible for issuing passports for British nationals overseas through a network of offices abroad, issuing approximately 380,000 passports per year.

The National Audit Office and the Public Accounts Committee carried out reviews in 2005/2006 which recommended that consideration should be given to closer working between the IPS and Foreign Office with a view to achieving economies of scale in issuing passports.

In April 2009, the Home Office and FCO signed a Memorandum of Understanding agreeing that IPS would take responsibility for the issue of British passports overseas with effect from 1 April 2011. The transfer of Ministerial responsibility reflects this agreement.

Over the last two years, FCO and IPS have been establishing the detail of the transfer and agreeing the approach on all areas of policy and operational delivery.

The Accord does not affect the passport operations conducted by Lieutenant Governors in the Crown Dependencies and Overseas Territories. They represent a very small number of passports issued each year and IPS will be working with them to determine how best the service they provide can benefit from the Accord.

Alternatives considered

The Government considered maintaining the current structure, whereby the Foreign Office continued to issue passports to British nationals overseas.

In considering this option the following criteria were considered:

Effectiveness: how effective is the arrangement for driving efficiency and harnessing the most effective use of resources?

Fit: Is there a good institutional fit with powers and the delivery of objectives and is there a legacy of enduring capability?

Cost: Are the benefits in balance with the costs of the change both now and in the future?

Following consideration of all proposals it was felt that maintaining the current position was not the best option on the grounds of cost and effectiveness

Overview of the benefits and costs of change

Significant savings will be achieved through standardising processes and systems, making best use of much larger scale of IPS production operations and reducing direct staff costs and overheads through the closure of FCO overseas application processing offices.

It is proposed that the change would be implemented in three main stages:

- April 2011: policy responsibility for passport operations passed to IPS. FCO staff overseas now deliver passport services on a transitional basis as a service provider to IPS. FCO staff exercise discretionary powers on behalf of the Home Secretary.
- May 2011: IPS began to print passports in the UK for overseas applicants on the instruction of FCO staff at overseas processing centres. Passports are delivered from the UK either directly to the customer or to their nearest FCO post.
- April 2013: applications from British nationals overseas will be sent directly for processing at IPS centres in the UK. FCO will have completed its role as an interim service provider and will have closed their overseas passport processing centres at this point. As today, the FCO will still be able to be issued someone with an Emergency Travel Document overseas to enable them to travel in an emergency.

Following full integration in April 2013, cost savings are estimated to be approximately £20m per annum.

The cost of the overseas passport is covered by fee income. Currently the cost is £50 more than a passport issued in the UK. IPS will examine the scope for achieving compatibility between the two sets of fees. It should be noted that in the absence of the Accord between Home Office and FCO, further significant rises were anticipated in the cost of the overseas passport to fund new separate passport processing and printing systems required by overseas posts.

3. CIVIL SPACE POLICY

The Prime Minister announced on 01 April that the Secretary of State for Transport's responsibilities for the Galileo Programme and the Secretary of State for Environment, Food and Rural Affairs' responsibilities for the space components of the Global Monitoring for Environment and Security (GMES) Programme would transfer to the Secretary of State for Business, Innovation and Skills from 1 April 2011.

Context and Rationale

The Galileo Programme is a European-funded Global Satellite navigation system that will provide highly accurate real time positioning information through a network of up to 28 operational satellites. EGNOS (European Geostationary Navigation Overlay System) is an enhancement of the existing American Global Positioning Satellite (GPS) system to give improved accuracy over Europe.

The EU-funded Global Monitoring for Environment and Security Programme (GMES) aims to provide a European input to the global efforts to better manage the planet. The space component consists of a series of satellites making a wide range of operational observations of the Earth, with data being made available for analysis. It is complemented by a ground infrastructure.

The UK Space Agency formally became an executive agency of the Department for Business, Innovation and Skills on 01 April 2011.

As part of the consideration of the UK Space Agency's remit to bring together and co-ordinate all the UK's civil space activity, the Prime Minister agreed the transfer of responsibility for Galileo, EGNOS and the space component of GMES to the UK Space Agency.

The Department for the Environment, Food and Rural Affairs (Defra) continues to maintain policy lead for GMES overall. Defra and the UK Space Agency will maintain a high level of coordination to ensure the successful development and implementation of programmes and initiatives.

Within the EU, both projects report to the Transport Council with the management and policy now resting with DG Enterprise and Commissioner Tajani.

Alternatives considered

The Government considered maintaining the current structure. In considering this option the following criteria were considered:

Effectiveness: how effective is the arrangement for driving efficiency and harnessing the most effective use of resources?

Fit: Is there a good institutional fit with powers and the delivery of objectives and is there a legacy of enduring capability?

Cost: Are the benefits in balance with the costs of the change both now and in the future?

Following consideration of all proposals it was felt that maintaining the current position was not the best option on the grounds of effectiveness

Overview of the benefits and costs of change

The transfer of responsibility for Galileo involved the transfer of six full-time equivalent members of staff and £1.3 million budget from the Department of Transport to the Department of Business, Innovation and Skills. There were no staff or budget transfers from Defra to the Space Agency.

As these EU projects are managed by the European Commission there is no UK budget for the programme beyond this.

4. NATIONAL SCHOOL OF GOVERNMENT

The Prime Minister announced on 01 April that the National School of Government would be incorporated into the Cabinet Office.

Context and Rationale

The National School of Government (NSG) was separated from Cabinet Office and established as a separate non-Ministerial Department in 2007. It remained accountable to Parliament through the Minister for the Cabinet Office.

NSG was reviewed by the Minister for the Cabinet Office as part of the public bodies review. The conclusion was that there is no case for it continuing as a separate non-Ministerial department. Bringing it into the core of the Cabinet Office will help facilitate a fundamental review of civil service training to increase effectiveness.

Alternatives considered

The Government considered maintaining the current structure. In considering this option the following criteria were considered:

Effectiveness: how effective is the arrangement for driving efficiency and harnessing the most effective use of resources?

Fit: Is there a good institutional fit with powers and the delivery of objectives and is there a legacy of enduring capability?

Cost: Are the benefits in balance with the costs of the change both now and in the future?

Following consideration of all proposals it was felt that maintaining the current position was not the best option on the grounds of effectiveness

Overview of the benefits and costs of change

The National School of Government had gross resource expenditure of £23.2m in 2010-11; all of which was recovered from its operating income. It employs over 200 staff.

C. CONCLUSION

This document sets out an initial analysis of costs and benefits associated with each significant change, as well as the rationale for the change. As set out in the Government's Response to the Public Accounts Committee's report on *Reorganising Central Government* each department undergoing a Machinery of Government change is expected to report to Parliament, at an appropriate stage, on the achievement of the costs and benefits, identified as part of the change. In addition the department undergoing a Machinery of Government change may be expected to carry out an evaluation which may or may not be published.