

Summary: Intervention & Options

Department /Agency: FCO, Consular Directorate	Title: Impact Assessment of a revised consular fees order	
Stage: Proposal	Version: 1.0	Date: 17 February, 2009
Related Publications:		

Available to view or download at:

<http://www.>

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What is the problem under consideration? Why is government intervention necessary?

Income from UK Passports & Emergency Passports, Overseas passports, Legalisation and other Consular fees is no longer sufficient to cover the FCO's costs of providing consular services. Forecast expenditure for these income categories is £133m in financial year 2009-10. The fees for all consular services (apart from UK Passports) need to rise to recover this level of expenditure. The increase in fees is designed to recover the forecast deficit over the 2009-10 & 2010-11 financial periods and any brought forward deficits from earlier years.

What are the policy objectives and the intended effects?

To continue to recover full costs for Consular Services and ensure that the Consular Fees Order reflects the range of consular services provided.

What policy options have been considered. Please justify preferred option?

Treasury rules requires Consular to recover the full costs of delivering its services.

The preferred option is to increase all fees, apart from UK passports, so that the forecast deficit will be recovered over a 2 year period. The increase in fees for administering passport applications made abroad also takes account of staff rationalisation savings in 2009-10 and 2010-11.

An alternative option would be to increase the same fees so that the forecast deficit will be recovered in just one year. This option also takes account of the staff rationalisation savings identified in option 1. The resultant fee increases will be considerably higher than in our preferred option and thus the impact on our customers will be much greater.

Other than the preferred option of increasing the consular fees, the only alternatives would be either to achieve cost savings by reducing staffing to dangerously low levels for the provision of consular services or to make a return to funding via direct taxation. Neither option is deemed to be politically acceptable at this time.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

Consular Directorate will review the level of its consular fees between September and November 2009. This exercise will look at the income and expenditure for each fee category, to see if the fee level is sufficient to recover the full costs of consular operations. If forecast income is not sufficient to cover costs a further fee review will be necessary from April 2010. A final statement of our income and costs, known as a Memorandum Trading Account will be produced at the end of the financial year 2009-10.

Ministerial Sign-off For Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options

Signed by the responsible Minister:

..... Date:

Summary: Analysis & Evidence		
Policy Option:	Description:	
COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups'
	One-off (Transition) Yrs	
	£ Nil	
	Average Annual Cost (excluding one-off)	
	£ Nil	Total Cost (PV) £
Other key non-monetised costs by 'main affected groups'		
BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups'
	One-off Yrs	
	£ Nil	
	Average Annual Benefit (excluding one-off)	
	£ Nil	Total Benefit (PV) £
Other key non-monetised benefits by 'main affected groups'		

Key Assumptions/Sensitivities/Risks

Cost savings for 2009-10 and 2010-11 are based upon a challenging timetable of rationalisation at Posts across the passport network. Unless this timetable is maintained some savings may slip into later years.

The impact of depreciation on sterling has been estimated for purposes of the fee calculation but it is impossible to say how accurate this figure is. The final outturn will depend upon the movement of exchange rates over the 2009-10 and 2010-11 financial periods.

The volumes used in the fee model relating to consular services are crucial to the overall fee calculation and if they start falling as a result of the present economic downturn full cost will not be recovered.

Price Base Year	Time Period Years	Net Benefit Range (NPV) £		NET BENEFIT (NPV Best estimate) £	
What is the geographic coverage of the policy/option?		UK and overseas			
On what date will the policy be implemented?		9 April 2009			
Which organisation(s) will enforce the policy?		FCO			
What is the total annual cost of enforcement for these organisations?		£ n/a			
Does enforcement comply with Hampton principles?		n/a			
Will implementation go beyond minimum EU requirements?		n/a			
What is the value of the proposed offsetting measure per year?		£ Nil			
What is the value of changes in greenhouse gas emissions?		£ Nil			
Will the proposal have a significant impact on competition?		No competition			
Annual cost (£-£) per organisation (excluding one-off)		Micro n/a	Small n/a	Medium n/a	Large n/a
Are any of these organisations exempt?		Yes/No	Yes/No	N/A	N/A
Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)			
Increase	£	Decrease	£	Net	£ Nil
Key:		Annual costs and benefits: Constant Prices		(Net) Present Value	

Evidence Base (for summary sheets)

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Treasury rules require us to recover the full cost of fee-bearing services, through the fees charged. In principle, the taxpayer should not subsidise fee-bearing services; and the recipients of those services should not subsidise tax-funded central government. Moreover, HMT require us to balance our books for each of the three “baskets” of consular services, not just in London but across the FCO network, although not necessarily in one particular financial year.

These three **consular baskets** are:

- **Consular assistance work** (funded from the Consular Premium on every British passport issued and, from next financial year, from the sales of Emergency Travel Documents);
- The FCO’s **passport-issuing business** (funded from overseas passport fees); and
- Our **other fee bearing services** (which include legalisation at home and overseas, and a whole raft of other services)

Consular has incurred additional expenditure in 2009-10 through the provision of a credit card facility for customers and because the pound has depreciated significantly against other major currencies.

There has also been considerable investment in the Emergency travel Document.

Additional expenditure will be counterbalanced by significant savings during 2009-10 and 2010-11 through the modernisation and rationalisation of the passport network.

The net expenditure for 2009-10 plus any unrecovered amounts from prior years needs to be recovered through the fee and exceptionally Treasury have allowed us to do this over financial years 2009-10 and 2010-11. This has allowed us to minimise the increase in fees.

The impact of this legislation falls squarely on the shoulders of the public. There will be little or no impact on business or the third sector.

Specific Impact Tests: Checklist (This needs to be completed)

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

Annexes

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