National Audit Office

REPORT BY THE
COMPTROLLER AND
AUDITOR GENERAL

HC 1832
SESSION 2010–2012

26 APRIL 2012

Financial management in the Home Office

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Financial management in the Home Office

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Amyas Morse
Comptroller and
Auditor General

National Audit Office

20 April 2012

This report examines the progress made by the Home Office since our financial management review of May 2009.

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Contents

The National Audit Office study team consisted of:

Jonathan Broadley, Sean Ellerton, Phil Hyde, Caroline Milner-Brown and Stephanie Woodrow, under the direction of Susan Ronaldson

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For further information about the National Audit Office please contact:

National Audit Office
Press Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Tel: 020 7798 7400

Email: enquiries@nao.gsi.gov.uk

Website: www.nao.org.uk

Twitter: @NAOorguk

Key facts

£12.2bn

spent by the Home Office in 2010-11

£6.5bn

granted to police forces in England and Wales in 2010-11

23%

funding cut, in real terms, that the Home Office expects by 2014-15

6,500	estimated Home Office staff reduction by the end of the Spending Review period (2014-15), a fall of around one-fifth
70 per cent	proportion of Home Office expenditure on grants to other bodies, including £6.5 billion to police forces
£7.1 billion	whole-life cost of major projects being delivered by the Home Office as at January 2012
£1.68 billion	Home Office income in 2010-11, from activities carried out by the Criminal Records Bureau, the Identity and Passport Service, and the UK Border Agency

Summary

The Home Office

1 The Home Office (the Department) oversees government policy and delivery for counter-terrorism, policing, crime reduction, borders and immigration, identity and passports, and equalities. It is headed by the Home Secretary, who sets its agenda and goals. The Home Secretary is supported by a supervisory board, which formulates strategic objectives and monitors the Department's performance against its business plan, and an executive management board which oversees the day-to-day running of the Department.

2 The Department spends just over £12 billion each year. The core Department is relatively small, spending just over £1 billion each year, and primarily delivers its objectives through other entities. It provides annual funding of around £6.5 billion to cover crime and policing locally. It has four executive agencies, which receive almost £3 billion of funding in total: the Criminal Records Bureau, Identity and Passport Service, National Fraud Authority and UK Border Agency, which is the Department's largest delivery body. Its two most significant arm's-length bodies, the National Policing Improvement Agency and Serious Organised Crime Agency, together receive over £800 million. Given this range of sponsored bodies, and the autonomy exercised by police forces, it is challenging for the Department to achieve high quality financial management across all of its funding streams.

The Department's financial management

3 The National Audit Office (NAO) last evaluated the Department's financial management capability in May 2009.[1] The report concluded that the Department had made substantial improvements since its accounts were disclaimed in 2005-06. Improvements included overall financial governance, financial planning, monitoring and reporting. However, the report also found that good financial management was not established across the whole organisation.

4 The Committee of Public Accounts took evidence on the subject in October 2009,[2] and recognised that the Department had made considerable progress in its financial management capability and processes. Nevertheless, the Committee made 11 recommendations: actions taken against these are set out at Appendix Two.

1 Comptroller and Auditor General, *Financial Management in the Home Office*, Session 2008-09, HC 299, National Audit Office, May 2009.

2 HC Committee of Public Accounts, *Financial Management in the Home Office*, Forty-sixth Report of Session 2008-09, HC 640, October 2009.

Our review

5 Good financial management supports sound decision-making and accountability, and improves planning. It helps an organisation to devise its strategy and manage risks to delivery. Failures in financial management can increase costs, reduce value for money and put service delivery at risk. Effective financial management is increasingly important, with the Government requiring departments to make significant cost reductions.

6 This report examines the Department's progress in embedding financial management practices since our 2009 report. We also examine how the Department has responded to changes in the landscape in which it operates. We aimed to evaluate whether:

- financial management is sufficiently strong and embedded within the Department to inform strategic decision-making; and
- the Department is able to tackle current business challenges, such as making sustainable cost reductions, deal with revised police accountability arrangements and implement machinery of government changes.

7 The main focus of our work is the core Department (especially governance structures and the control exercised by its central finance function) and its agencies. We also comment on how the Department oversees police forces, and on key organisational changes in its sponsored bodies.

Key findings

Core financial management practices

8 **The Department is starting to benefit from its new governance structures. There is finance expertise at senior levels on the supervisory board and executive management board, and finance matters are discussed routinely.** Board material is of high quality, and contains an appropriate level of detail. The Department uses the expertise of its non-executives well, both within board meetings and more widely on specific risk areas. Nevertheless, there is scope for the supervisory board to improve its discussion of strategic priorities, and for the executive management board to focus more clearly on operational matters. It should also ensure that issues within the agencies and arm's-length bodies are appropriately escalated.

9 **The Department has a strong culture of centralised risk management, and senior staff actively manage the risk management process.** The Home Office risk committee includes representatives from all business areas, and the boards discuss key items from the corporate risk register at each meeting. They approve major changes suggested by the risk committee, including scope and priority rankings. While the Department is good at identifying its key risks, risk management at an operational level is less well embedded. Failure to embed risk management at an operational level makes it less likely that key issues will be captured, for the purpose of local management and for appropriate escalation.

10 The Department carries out the key elements of financial control – planning, monitoring and reporting – well. However, it needs a more integrated business and financial planning process throughout the Department. The Department regularly reviews spending, reporting to the boards on out-turn and forecasts. The Permanent Secretary supplements these activities with operating reviews on individual areas. These activities help the Department make informed decisions about how to deploy available resources. However, much of the business still conducts budgeting separately from operational planning. This restricts the Department's understanding of the relationship between funding and outcomes, and thereby its ability to make informed strategic decisions as to the optimal deployment of resources to maximise impact.

11 The Department has enhanced how it manages capital investment, which was identified as a weakness in our 2009 report. We recommended that the Department should identify its capital spending priorities, and underpin its programme with robust project management and more realistic budgets. In 2011, it introduced a capital portfolio management board, which monitors spending against profile, and reallocates resources to priority projects. The new board works in tandem with the group investment board which deals with the largest projects. This structure has introduced stronger control mechanisms and provides clearer information for senior management. Major capital projects are therefore being managed well.

12 The Department has taken some positive steps to professionalise its staff, although formal classroom training is now less common. There is an increasing proportion of staff across the Department and its principal agencies with a formal finance qualification, even though the number of staff in the finance function has fallen. The Department has delivered financial management workshops to the majority of senior civil service grade staff. However, it has scaled back classroom training, and now relies on e-learning modules, whose take-up has been low. This is in line with the civil service's 'Next Generation HR' programme. Succession planning remains a challenge, especially when the Department is cutting staff and business areas are reluctant to lose high-performing individuals.

13 The Department has improved its cost recovery against targets, despite difficulties in managing income because of fluctuating levels of demand. While the Criminal Records Bureau and Identity and Passport Service aim to recover full costs, the UK Border Agency is permitted to over-recover. Income collected by the Criminal Records Bureau and UK Border Agency was closer to their respective targets in 2010-11 than the previous year, while the Identity and Passport Service moved from under- to over-recovery.

14 The Department has significantly improved how it manages cash balances, but there is scope for further progress to be made. Since 2006-07, the Department has reduced the variance between cash flow forecast and out-turn from 20 per cent to 7.5 per cent. However, this still falls short of HM Treasury's 5 per cent target, placing its performance in the bottom quartile of government departments. The Department recognises that the forecasting of cash receipts needs improvement.

Current challenges to financial management

15 The Department has clear plans to reduce costs in core activity, but should do more to increase confidence that savings are being made in the right areas. The Department is accountable for savings of £664 million per annum by 2014-15, but has identified potential savings of over £1 billion because it expects additional spending pressures in other areas in the latter years of the settlement. It has a well-established system of financial monitoring, which projects annual savings from each business area. However, around half of these savings are uncertain, and business areas have not fully considered efficiency and effectiveness when evaluating where cuts should be made.

16 Devolved accountability arrangements make it more difficult for the Department to predict whether police forces will make the required cost reductions. Forces must make around £1.5 billion of savings through efficiency improvements. But in 2011, around two-thirds of forces had shortfalls in their cost reduction plans, amounting to around £500 million in total. Her Majesty's Inspectorate of Constabulary is due to examine whether these shortfalls have been addressed later in 2012. The Department must produce an accountability system statement for Parliament, describing how it will oversee policing in the context of increasing local autonomy, including the introduction of Police and Crime Commissioners in late 2012. This statement has been through various iterations since 2011, and several elements are not due to be finalised until mid-2012.

17 There are risks to the successful delivery of the Department's change programmes. Programmes to develop the National Crime Agency (NCA) and the Disclosure and Barring Service (DBS), and to phase out the National Policing Improvement Agency (NPIA), started slowly and were initially under-resourced. While this has largely been addressed for the NCA programme, the NPIA and DBS programmes have lacked continuity in management, with insufficient access to finance skills. As a result, the Department has not established organisational structures sufficiently early, and outputs such as full business cases have been delayed. The NCA programme benefits from a longer time frame and will import many functions from the Serious Organised Crime Agency. But time frames for the DBS and NPIA programmes are much more challenging. The Department needs to control costs, especially transition costs, more strongly and explicitly.

Conclusion on value for money

18 Since our last report, the Department has made good progress. It has further enhanced its ability to plan, monitor and report on its financial position, and to control income, cash balances and capital spend. These aspects are well led from the top of the organisation, and supported by the new governance arrangements. It is now achieving clear benefits from these improvements, and is doing so while cutting staff in the finance function. The Department is therefore delivering value for money in terms of exercising financial control over its core business activities.

19 However, there is more to be done. The Department could do more to integrate financial and operational planning, and thereby understand better the link between resources and performance. While it has clear plans for reducing costs in its core activity, it needs to establish whether it could maintain the overall effectiveness of its spend better by making alternative savings in other areas. In addition, many of the strengths which it demonstrates in its core business are much less apparent in its change programmes. There are risks that these programmes will fail to deliver the proposed benefits if the Department does not manage them more effectively.

Recommendations

a **While the Department's governance arrangements are strong, and finance is well represented at board level, the supervisory board is relatively new, and the Department is still developing the role of the non-executives.** The Department should distinguish further the functions of the boards so that the supervisory board focuses clearly on delivering strategic priorities, leaving the executive management board to cover operational matters.

b **Financial control is good, but there is a need to integrate financial and business planning further to ensure that there is better information, and therefore understanding, of the link between resource allocation and performance.** The Department should, as a priority, make sure that financial and operational plans are fully aligned to the strategy at all levels. The Department has introduced stronger control over its capital spending, allowing it to reallocate funds to priority projects and make faster decisions. There is scope to develop its control over revenue spending in the same way.

c **In 2010-11, the difference between cash flow forecast and out-turn was outside HM Treasury's 5 per cent target, and higher than most government departments.** The Department believes that this is largely due to unforecast cash receipts. It should take action to meet the target in future years.

d **The Department's plans for making savings in core activity appear sound, but there is more work to be done.** The Department should assess whether:

- additional savings could be found by taking an approach which is more cross-cutting; and
- the areas of spend to be cut are the right ones with regard to overall efficiency and effectiveness.

e **The success of key change programmes is at risk because of poor continuity in personnel, insufficient resourcing, and weak elements of financial and project management.** The programmes are being managed by specific local teams. However, the Department should transfer more of the key skills demonstrated at the centre – strong governance, clear risk management and control over costs – to these programmes.

Part One

The role of the Department

The Department's responsibilities

1.1 The Department oversees government policy and delivery on: countering terrorism in the UK; policing; crime reduction; borders and immigration; identity and passports; and equalities. Its priorities are to:

- empower the public to hold the police to account for cutting crime;
- free-up the police to fight crime more effectively and efficiently;
- create a more integrated criminal justice system;
- secure the UK's borders and reduce immigration;
- protect people's freedoms and civil liberties;
- protect citizens from terrorism; and
- build a fairer and more equal society.

How the Department is organised

1.2 The Department is headed by the Home Secretary, who sets the agenda and goals for the Department and is supported by the supervisory board and the executive management board chaired by the Permanent Secretary. It is organised into five directorates: Strategy, Immigration and International; Human Resources; Finance and Corporate Services; Office for Security and Counter-Terrorism; and Crime and Policing Group.

1.3 To deliver its responsibilities, the Department works with partners including the police, intelligence agencies, local authorities, voluntary bodies, other departments and overseas governments. It has four agencies: the Criminal Records Bureau, Identity and Passport Service, National Fraud Authority and UK Border Agency. Other key sponsored bodies include the Serious Organised Crime Agency (due to be merged into the National Crime Agency in 2013) and National Policing Improvement Agency (due to be phased out in 2012).

1.4 On 1 March 2012, the UK Border Force split from the UK Border Agency, and became directly accountable to ministers. The Border Force has around 8,000 staff (33 per cent of the Agency's total), and constitutes a quarter of the Agency's expenditure. This reorganisation was made following a report by the Independent Chief Inspector of the UK Border Agency into border security checks. The report found that border checks were suspended on more occasions than the Agency's senior management and Ministers had assumed, and that there was a lack of clarity on the level of authorisation required to suspend the checks.[3]

Where the Department spends its money

1.5 In 2010-11, the Department spent £12.2 billion, of which around 70 per cent was spent on grants, including £6.5 billion to police forces in England and Wales (see **Figure 1** overleaf). The remaining 30 per cent was spent on running costs, other costs, and the cost of running its agencies. The UK Border Agency is the largest agency, receiving £2.5 billion.

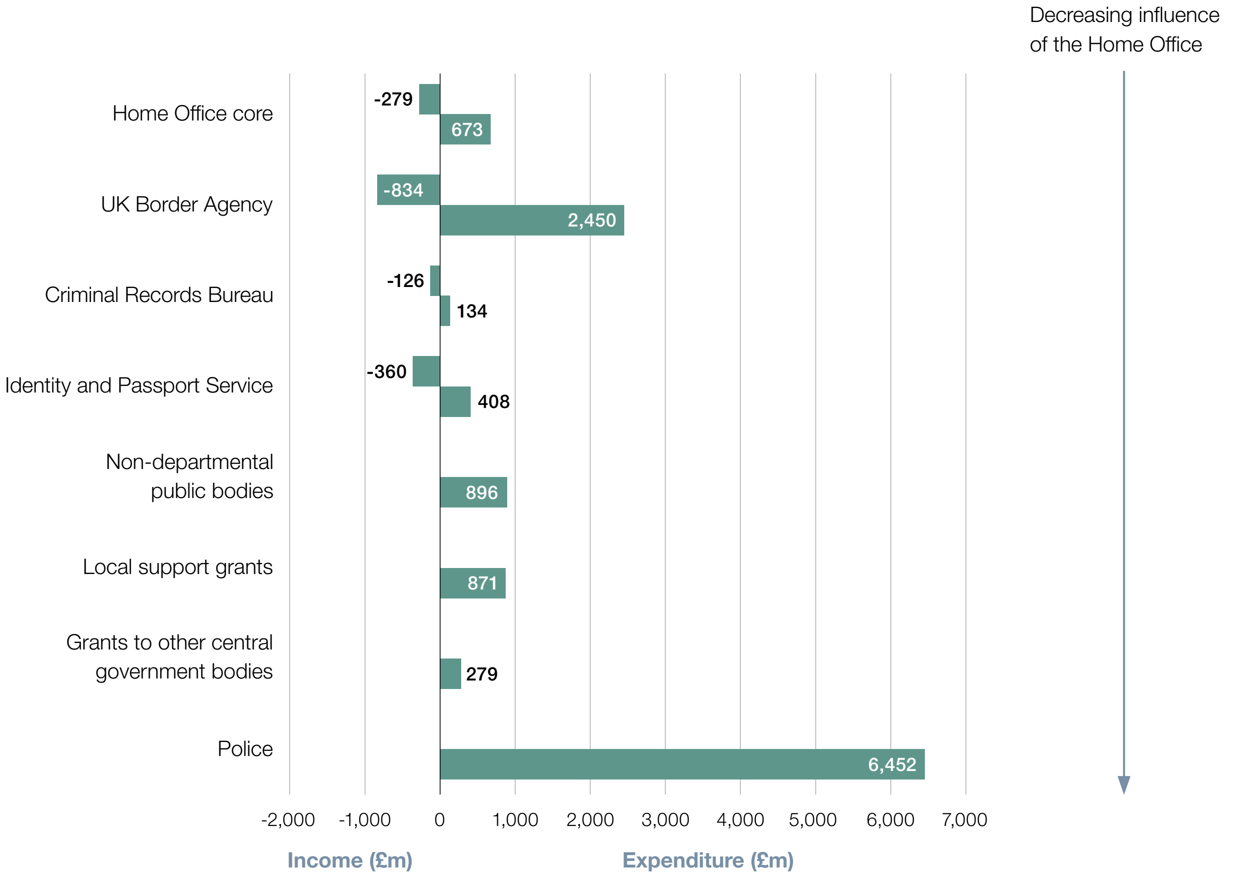
1.6 As at January 2012, the Home Office group was responsible for delivering major projects with a whole-life cost totalling £7.1 billion. The three largest projects are all being delivered by the UK Border Agency. They are:

- the Compass contract (providing asylum accommodation and related services);
- e-Borders (implementing an integrated IT system to deliver greater border security); and
- Cyclamen (deterring the import of illicit freight).

1.7 In addition to departmental funding, the agencies receive a significant amount of income, primarily from fees. The Criminal Records Bureau charges fees to carry out checks on those wanting to work with children and vulnerable adults. The Identity and Passport Service receives income from issuing passports and civil records. The UK Border Agency charges fees for those visiting, or looking to reside in, the United Kingdom.

3 Report by the Independent Chief Inspector of the UK Border Agency, *An investigation into border security checks*, February 2012.

Figure 1
Home Office income and spending 2010-11



NOTES
1 The UK Border Agency, Criminal Records Bureau and Identity and Passport Service are executive agencies.
2 Does not cover the National Fraud Authority, as it only became part of the Home Office in 2011-12. It has a budget of £6.5 million.

Source: Home Office Annual Report and Accounts, 2010-11

The history of financial management in the Department

1.8 The NAO last evaluated the Department's financial management capability in May 2009.[4] The report concluded that the Department had:

> "substantially improved its financial management, including its overall financial governance, its financial planning, budgeting, monitoring, forecasting and reporting, and its arrangements to support financial decision-making"

since the Comptroller and Auditor General disclaimed his opinion on its accounts in 2005-06. But it also found that good financial management was not yet part of business-as-usual operations. In particular, it saw room to improve financial management skills outside central finance, management of the capital programme, and how financial management arrangements support organisational change.

4 See footnote 1.

1.9 The Committee of Public Accounts took evidence on the subject in October 2009, and recognised that there had been considerable improvements to financial management capability and processes.[5] Nevertheless, the Committee made 11 recommendations. We set out the Department's progress against these recommendations in Appendix Two.

1.10 In July 2009, the Department implemented a two-year Financial Improvement Strategy to improve financial management, consisting of 21 projects across seven strands:

- Forecasting, reporting structures and processes
- Better guidance and training
- Better planning
- Business engagement
- Capital spending
- Better recruitment and talent management
- Efficiency.

1.11 In July 2011, the Department used the NAO's financial management maturity model to assess the strength of its financial management. The model sets out five key aspects: financial governance and leadership; financial planning; finance for decision-making; financial monitoring and forecasting; and financial and performance reporting. It describes five levels of maturity for each aspect. The level of maturity appropriate for different organisations varies, both overall and within the five aspects of financial management, depending on that organisation's needs and the benefit that could accrue from improvements.

1.12 The Department concluded that, at a corporate level, it is demonstrating level four behaviours on three of the five aspects and between level three and four behaviours in the remaining aspects. It identified financial governance, leadership, planning and reporting as its strongest aspects, with monitoring and forecasting a little less strong. It also recognised that performance varies across business units.

1.13 The Department has progressed well since 2009 and in our view financial management is now part of business-as-usual operations. While the Department has scored itself more highly on some aspects of the maturity model than we would have, we consider that financial management is broadly at the required level for its business needs. We have, however, found less evidence of consistently strong financial management in the Department's current change programmes.

5 See footnote 2.

1.14 In line with its culture of continuous improvement in financial management, the Department is aiming to achieve a minimum of level four against all aspects of the model, aspiring to level five for financial governance and leadership, and financial and performance reporting. While we welcome the Department's plans to drive performance forward in response to a more challenging operating environment, investing to deliver level five behaviours may not always represent the best value for money.

Scope of this examination

1.15 Good financial management supports sound decision-making and accountability, improves planning, and helps an organisation to devise its strategy and manage risks to delivery. Failures in financial management can increase costs, reduce value for money and put service delivery at risk. Effective financial management is increasingly important, with the Government requiring departments to make significant cost reductions.

1.16 This report examines the Department's progress in embedding financial management practices since our 2009 report, and how it has adapted these to respond to significant changes in the landscape in which it operates. It seeks to evaluate whether:

- financial management is sufficiently strong and embedded within the Department to inform strategic decision-making; and
- the Department can tackle current business challenges, such as making sustainable cost reductions, dealing with revised police accountability arrangements, and implementing machinery of government changes.

1.17 The main focus of our work in Part Two is the core Department (especially governance structures and the control exercised by central finance) and its agencies. In Part Three we also comment on the Department's financial relationship with police forces, and structural changes in its delivery bodies.

1.18 Our methodology is provided at Appendix One.

Part Two

Core financial management practices

Scope

2.1 This part assesses the effectiveness of financial management in the core Home Office and its agencies. It does not examine financial management in the police or arm's-length bodies. These were excluded from the Department's self-assessment against the NAO's financial management maturity model.

Governance arrangements

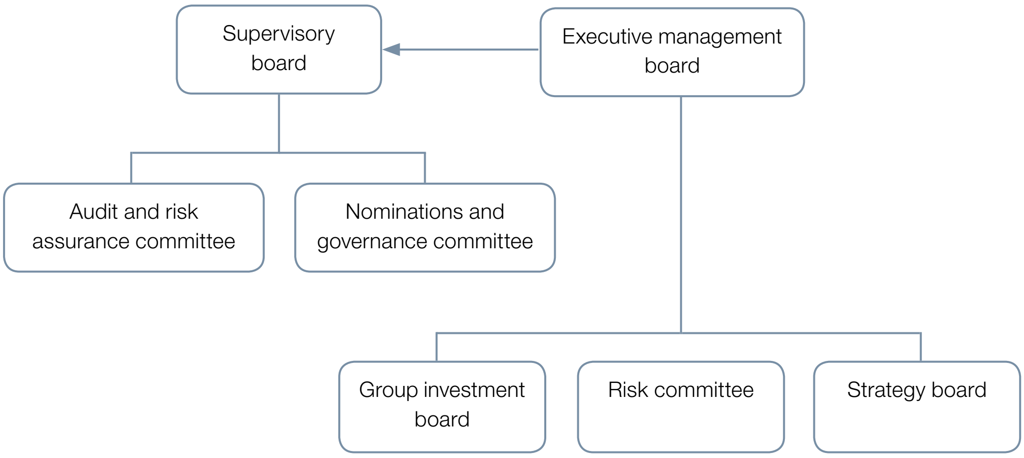
2.2 In January 2011, in line with requirements laid out in the Corporate Governance Code,[6] the Department revised its governance structure by establishing a supervisory board, chaired by the Secretary of State. It meets every two months and consists of the five Home Office ministers, five members of the executive management including the Permanent Secretary, and four non-executive directors. It sets strategic objectives and monitors the Department's performance against its business plan.

2.3 The executive management board, chaired by the Permanent Secretary, supports the supervisory board. Consisting primarily of senior officials, it is the Department's senior management team, overseeing day-to-day operations. **Figure 2** overleaf outlines the Department's governance structure in more detail.

2.4 The Director General of Finance and Corporate Services sits on both boards, with finance, risk and performance appearing as standing items at each meeting. Non-executive board members commended the quality and content of the performance pack provided to the supervisory board and found the oral presentation of highlights useful. We agree with this view. However, they said that they would benefit from having more time and freedom to challenge. We consider that the limited frequency and duration of meetings may have an impact on the board's effectiveness.

6 HM Treasury and Cabinet Office, *Corporate governance in central government departments: Code of good practice*, July 2011.

Figure 2
Home Office governance structure



NOTE
1 This reflects the Department's governance structure since January 2011.

Source: National Audit Office analysis of information from the Department

2.5 We found that members of both the Home Office executive management board and the UK Border Agency board provide challenge on finance matters and appear increasingly willing to act collectively where resources might be reallocated across the Department. However, as a result of the new governance structure, members of the executive management board can tend to spend time discussing how the supervisory board might react to the issues on the agenda, at the expense of deliberating operational issues.

2.6 In its 2011-12 *Capability Action Plan*[7] the Department acknowledged that it needed to use the supervisory board better, and to focus more on using meetings to influence delivery on strategic priorities and cross-cutting issues. We consider that this would allow the executive management board to focus more on operational matters.

2.7 The Independent Chief Inspector of the UK Border Agency's report into border security checks recommended that the extent of the Agency's operational autonomy from the Department should be made explicit, with a clear delineation of roles and responsibilities.[8] This led to a restructuring, with the Border Force consolidated into the Department. This raises wider concerns over the clarity of the relationships between the Department, its agencies and NDPBs, and how issues are escalated.

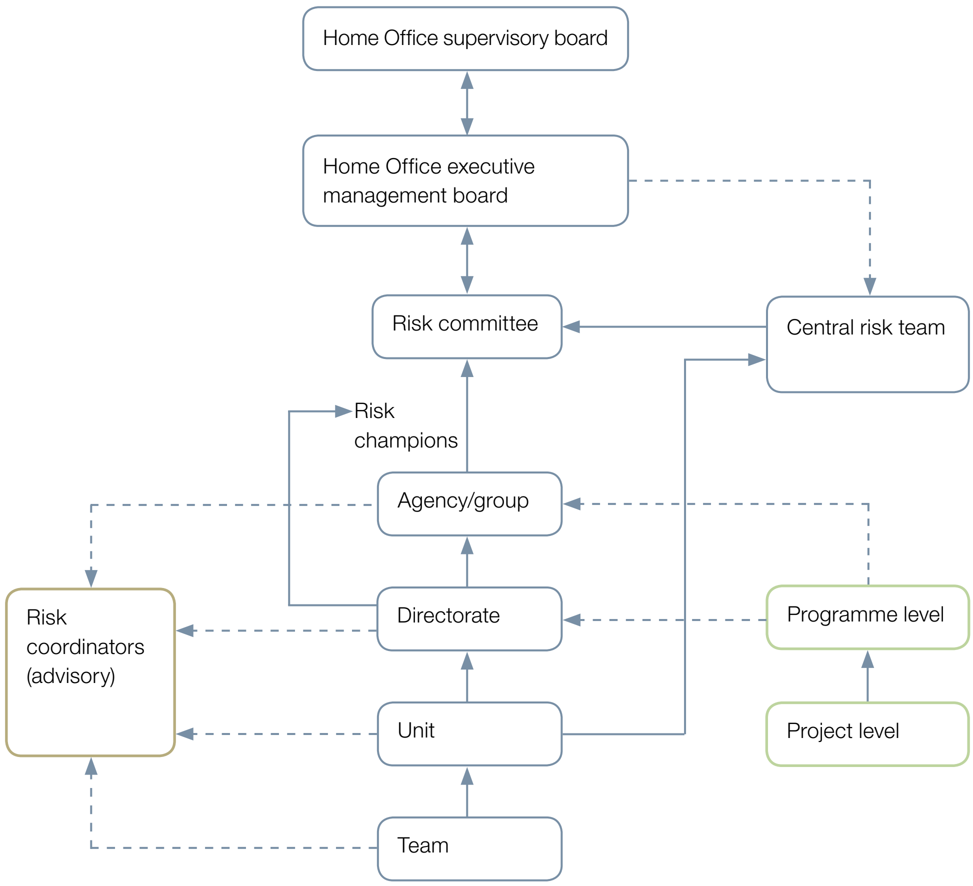
7 In February 2012 the Department published a *Capability Action Plan*. Based on a self-assessment, it focuses on three key areas: leadership, strategy and delivery. It is written and owned by the Department.
8 Report by the Independent Chief Inspector of the UK Border Agency, *An investigation into border security checks*, February 2012.

Risk management

2.8 The Department has a strong culture of risk management at corporate and group level, and senior staff engage well with the process. The Home Office risk committee meets on a bi-monthly basis, and includes representatives from all business areas. The Home Office executive management board discusses key items from the corporate risk register at each meeting and approves major changes suggested by the risk committee, including scope and priority rankings. **Figure 3** shows the escalation process. The supervisory board is also conducting a series of detailed examinations of individual risks.

2.9 While the Department is good at identifying its key risks, the UK Border Agency board has discussed how to reduce the risks on its register to a manageable number, which is challenging given the complexity and profile of its operations. The move of the Border Force to the core Department will assist with this, but the risks to the Department will remain, and are likely to increase during the period of restructuring.

Figure 3
Risk escalation process in the Home Office



Source: Home Office Risk Management Guidance, September 2011

2.10 Risk management at operational level is not yet embedded to the same extent, as evidenced by an internal audit report which highlighted some weaknesses in the application of the risk management framework at the lower levels of the business. Failure to embed risk management into the culture at an operational level makes it less likely that key issues will be captured, both for the purpose of local management and for appropriate escalation.

2.11 The Chief Inspector's report on the UK Border Agency,[9] while focusing on management failures, appears to reinforce these findings. His recommendation that the Department should provide additional assurance that policy is being translated into practice on the ground suggests a need to ensure that related risks are being managed effectively and appropriately escalated.

Planning, monitoring and reporting

2.12 The Department exercises good control over its in-year spending, with budgets developed by a combined top-down/bottom-up approach. After agreeing strategy and budgets, the Permanent Secretary sends formal delegation letters to directors-general by the end of January and therefore well in advance of the new financial year. Directorates and agencies must produce business plans to support the Department's strategy.

2.13 The Department has formal monthly, quarterly and mid-year reviews of spending, including of its NDPBs, with monthly reporting to the board and to HM Treasury on out-turn and forecasts. Since 2009, it has strengthened its financial control by introducing quarterly balance sheet reviews. The Permanent Secretary also conducts operating reviews of operational and corporate groups, the frequency of which varies according to risk. These reviews cover performance and risk, and, where relevant, financial issues concerning affordability and policy implementation. The Director General of Finance and Corporate Services attends the reviews, along with peer directors-general, thereby strengthening the challenge given.

2.14 The midway financial year exercise is used by the boards to review plans and consider whether finances are being effectively used. They decide whether budget allocations should be changed in response to variances in spend, to make resources meet priorities. The September 2011 review forecast an underspend of £313 million, or around 3 per cent of total estimated spending.[10] Of this amount, the Department earmarked:

- £90 million for budget exchange (surrendering underspend before the end of the financial year, in return for a corresponding increase in the following year);
- £73 million for contingency; and
- £150 million for reallocation across the business to offset spending pressures, such as responding to the summer 2011 riots and increasing Olympic security costs.

9 Report by the Independent Chief Inspector of the UK Border Agency, *An investigation into border security checks*, February 2012.
10 Home Office Estimate for 2011-12: £11.015 billion.

2.15 Around half of the underspend came from the UK Border Agency, the majority from the demand-driven asylum support budget which reflects lower than expected numbers of asylum seekers receiving assistance. The remainder of the Agency underspend came from several sources including lower depreciation costs and lower headcount. These windfalls provided the additional funds needed to offset unplanned spending in 2011-12 but the Department may not have the same flexibility in future years.

2.16 Previously, management information available to budget holders for monitoring spend was not as accessible or timely as the Department wanted. In January 2012, the Department introduced business intelligence finance reports for budget holders, in the form of monthly dashboards. These reports allow them to review their position against measures and targets, and to understand why there are variances. It is too early to evaluate whether the business intelligence tool is achieving the intended benefits.

2.17 While some parts of the Department, primarily those which produce tangible outputs, align financial and operational planning, much of the business still undertakes budgeting separately from operational planning. As such, links between resources and objectives, and therefore performance, continue to be underdeveloped. This restricts the Department's understanding of the relationship between funding and outcomes, and thereby its ability to make strategic decisions on the optimal deployment of resources to maximise impact. Access to improved information on costs, funding and performance management would also improve the Department's ability to assess and improve value for money.

2.18 The Department has recognised this as an area for further enhancement within its financial improvement programme. It intends to review the way that business planning is managed in the UK Border Agency, and recommend a standard Home Office-wide approach. It will consider introducing a more integrated business and financial planning process, by consulting with stakeholders and considering key issues, and ways of incentivising business areas to give up underspends early. This approach could help the Department's progression from good financial control to a more mature level of financial management.

Delivery through others

2.19 The Department allocates 70 per cent of its funding to other delivery bodies through grants. It is therefore reliant, to some extent, on those bodies to effectively manage their resources and provide good information for the monitoring of performance.

2.20 In 2009-10, the Home Office Resource Accounts were qualified due to an excess vote. This resulted from police forces providing poor estimates of the funding needed to cover in-year cash deficits on police pension funds. The Department has since worked closely with forces to develop financial forecasts in this area, and to reduce the risk of future overspends. This provides a good example of how the Department has worked with one of its partners, which could be extended to others.

Managing capital spending and projects

2.21 In 2009, we reported that the Department had consistently underspent against its capital budgets, generating a cumulative underspend of £725 million in the five years to 2007-08.[11] We recommended that it should identify capital spending priorities, and underpin its capital programme with robust project management and tight but realistic budgets. Since 2006-07, the Department has improved its capital management, as shown in **Figure 4**.

2.22 The Department has two boards responsible for capital:

- The group investment board is responsible for major investment decisions on projects costing £40 million or more.
- The capital portfolio management board, established in 2011, reviews profiled spend and forecasts on capital projects costing more than £1 million. It assesses the reasonableness of forecasts and decides where resources need to be reallocated.

2.23 The group investment board discusses every project at least four times at key milestones, including strategic outline business case, outline business case, full business case and assessment of return on investment. The board considers projects against a set of tests covering strategic fit, business need, affordability, value for money, technical viability, and capacity.

2.24 Project owners return to the group investment board at agreed intervals (usually yearly) to provide updates. They also produce monthly finance returns for the Accounting and Finance Unit and quarterly returns for the Portfolio and Programmes Unit. Between December 2009 and December 2011, the board intervened on only five out of 44 submissions, relating to 29 projects and programmes, which indicates that it is managing major capital projects well.

Figure 4
Managing the Home Office's capital budget

Year	Percentage underspend	Underspend (£m)
2006-07	25	330
2007-08	6	48
2008-09	5	39
2009-10	1	8
2010-11	5	39

Source: Public Expenditure Out-turn White Papers, 2006-07 to 2010-11

11 See footnote 1.

2.25 The capital portfolio management board closely monitors spend against profile and reallocates resources accordingly, taking into account each project's priority rating. For example, it took positive action to revise the National Policing Improvement Agency's capital allocation four times between January and November 2011 in response to changes on major projects. These ranged from a reduction of £4.7 million to an uplift of £1.5 million, with a net reduction of £1.8 million over the period.

Capability and skills

2.26 In September 2011, across the Department and its principal agencies and arm's-length bodies, 27 per cent of finance staff were professionally qualified.[12] This compares favourably with the figure of 18 per cent in September 2008. However, the recorded number of finance staff fell by 12 per cent from 721 in 2010 to 635 in 2011, with a further 54 fully or partly qualified staff working in non-finance roles.

2.27 In 2009, the Committee of Public Accounts recommended that the Department should revise the strategy for improving finance, focusing particularly on driving greater financial awareness to staff at all levels and in all aspects of the business.[13] At March 2010, 60 per cent (against a target of 50 per cent) of senior civil servants had met the requirement to attend a minimum of three out of six financial management workshops over 18 months.

2.28 Since then, as part of its austerity measures, the Department has scaled back classroom training, relying largely on e-learning. This is in line with the civil service's 'Next Generation HR' programme. However, between 2006 and 2011, only 1,207 staff registered for the then National School of Government 'Finance Skills for All' training programme, and only 74 completed all available modules. The Department recognises that e-learning is not the preferred training method for many staff, and is working with the Government Finance Profession and Civil Service Learning to develop appropriate classroom-based courses.

2.29 The Department has a strong central finance function, which underpins its good financial control. Cabinet Office data for 2009-10 showed that over a third of finance staff in the core Department were qualified, placing it in the top quartile of large government bodies.[14] The Department's financial capability has been boosted by its finance management development scheme for accountancy trainees. Finance skills in some of its agencies have been less strong. Despite having a higher proportion of qualified staff in 2011 than in 2009, the Department has identified a continuing need to develop. It plans to address this need through capability-related projects in its recently launched financial improvement programme.

12 National Audit Office analysis of the Home Office finance staff survey return to HM Treasury, September 2011.
13 See footnote 2.
14 http://www.cabinetoffice.gov.uk/resource-library/back-office-benchmark-information-200910

Succession planning

2.30 In its latest capability review, the Department recognised the need to improve succession planning. The supervisory board has established a nominations and governance committee to help the board identify and develop leadership and high potential, and for succession planning. The finance community began work on succession planning in 2009 and initially faced some resistance from business areas reluctant to lose talented staff. However, they have recently made some progress. Senior finance representatives now meet every two months to discuss prospective middle management vacancies and whether internal candidates would benefit from being placed in the roles. Through this process, they aim to satisfy the dual objectives of filling posts and providing structured development for staff.

Managing income

2.31 The Department raises income primarily from fees charged to UK citizens and foreign nationals. The four main sources of income in 2010-11 were: processing permanent settlement and nationality applications for foreign nationals (£413 million); issuing passports (£403 million); issuing visas (£399 million); and providing criminal record disclosures to UK citizens (£132 million).[15]

Setting fees

2.32 In 2009, the Committee of Public Accounts recommended that "when setting fee rates for 2010 and beyond, the Department should model costs, fees and demand against a revised set of assumptions and identify the best options at the fee-setting stage for managing fees within these assumptions".[16] The Department sets fees through cross-government discussions supported by detailed modelling of costs and forecast demand. Fees generated from services for UK citizens, such as passport applications and criminal record checks, are charged with the objective of recovering the cost of providing the service. The UK Border Agency has more flexibility.

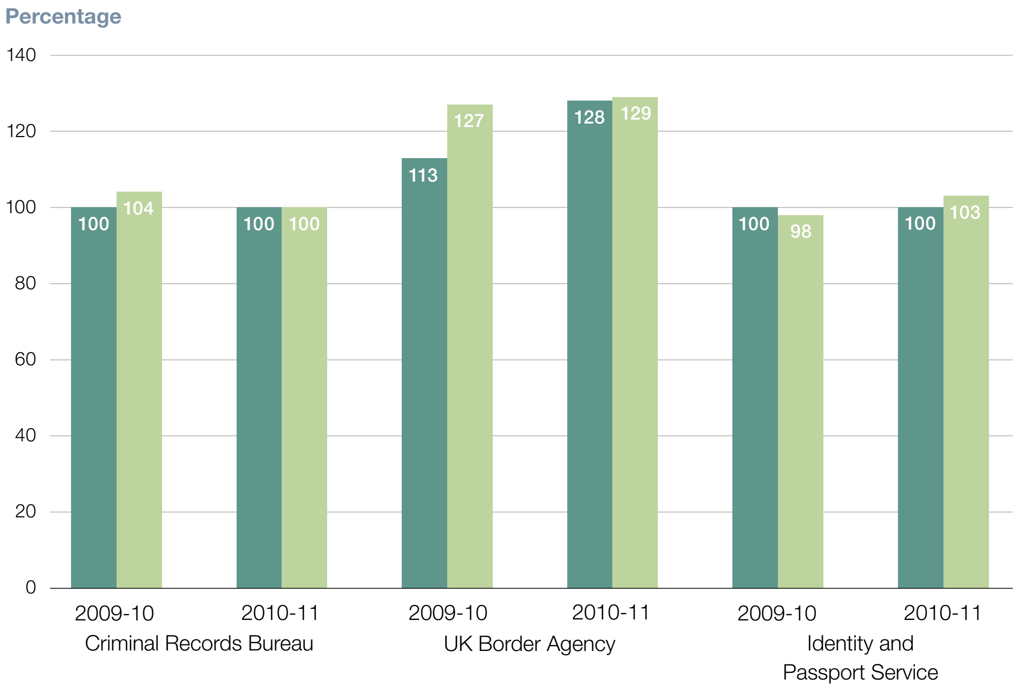
2.33 Some UK Border Agency income streams – for example, tourist visas – are charged below the cost of delivery. To offset this, some fees are set above the cost of delivery, and HM Treasury has authorised recovery levels above costs of between £186 million and £315 million over the four-year spending review period.

15 *Home Office Annual Report and Accounts 2010-11*, Note 12.1.
16 See footnote 2.

2.34 Figure 5 shows that the Criminal Records Bureau and the UK Border Agency were closer to their respective income targets in 2010-11 than in 2009-10. The Identity and Passport Service moved from a position of under-recovery to over-recovery, and is also forecasting a surplus for 2011-12.

Figure 5

Home Office performance against income recovery targets



Fee recovery variance compared to target (%)	4	0	12	1	-2	3

Target

Actual

NOTE

1 The Criminal Records Bureau and the Identity and Passport Service have a target recovery level of 100 per cent. UK Border Agency targets were 113 per cent in 2009-10 and 128 per cent in 2010-11.

Source: Home Office Annual Accounts 2010-11

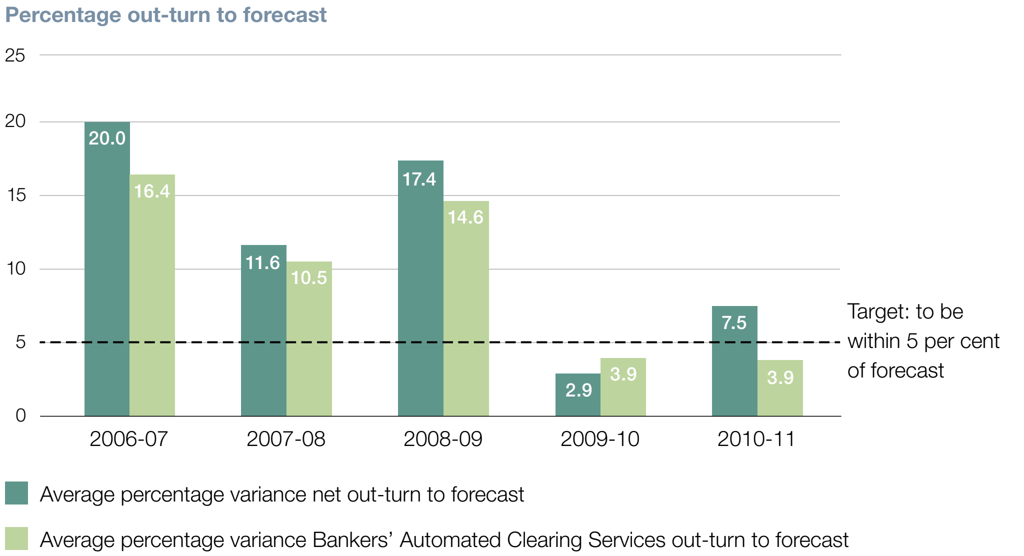
Monitoring fee income

2.35 Almost half the Department's income comes from the UK Border Agency, which separates income into in-country and overseas. In-country income is monitored weekly, with data provided for different types of visas, enabling the Agency to identify and address concerns early. Overseas income is monitored less frequently, as the Agency depends on monthly data from the Foreign and Commonwealth Office.

Managing assets – cash balances

2.36 The Department draws down its cash requirement from the consolidated fund monthly. Departments with a gross cash flow of over £3 billion per annum are asked to provide daily and monthly forecasts of their gross cash payments and receipts up to six weeks ahead. HM Treasury runs a cash flow management scheme which monitors the difference between the forecast and out-turn for the overall net monthly payment flows and for BACS (the banking system for processing electronic transactions). It expresses the difference as a percentage variance on forecast. The target for both measures is to be within 5 per cent of the forecast. **Figure 6** shows that cash flow management has improved considerably over the last five years.

Figure 6
Home Office cash flow forecast performance



NOTE
1 The Home Office was within the target for both measures for the first time in 2009-10 but exceeded the target for average monthly net outflow percentage in 2010-11.

Source: Home Office review of cash flow forecasting, October 2011

2.37 Despite this improvement, during 2011-12, the Department was consistently in the bottom half of the league table of 22 government departments. Its cumulative ranking for the period April to December 2011 was 18 out of 22. The Department recognises that the forecasting of cash receipts needs improvement.

Improving financial management

2.38 The Department put its Financial Improvement Strategy in place in 2009. There has been a clear commitment to these projects within the business, and the Department has used the results of its latest self-assessment to identify areas where further development is needed. In late 2011, it set out a Financial Improvement Programme, which is a framework for continual improvement over the next two years, aiming to put the Department at the 'leading edge' level to which it aspires in some aspects. The Programme has three strands: business planning; data quality; and capability. While it is good to have such plans, the Department also needs to ensure that the performance of those business units that are currently less strong at financial management is brought up to appropriate levels.

Part Three

Current challenges to financial management

Scope

3.1 The need for spending cuts and structural reorganisations has presented government departments with additional challenges. In this part we assess how the Department is handling the challenges of: achieving sustainable cost reductions; dealing with revised police accountability arrangements; and implementing machinery of government changes.

Spending Review challenges

3.2 Under the terms of the 2010 Spending Review, the Department is part way through a period of significant cost reduction. Overall, its resource spending will fall in real terms by 23 per cent over the period from 2011-12 to 2014-15. From this total, the Department will reduce grants to the police in real terms by 20 per cent, and other spending by 30 per cent. Capital spending will fall in real terms by 49 per cent. **Figure 7** sets out these figures in more detail.

Figure 7
Home Office Spending Review settlement

Type of spend	2010-11 baseline (£m)	2014-15 nominal budget (£m)	2014-15 real terms budget (£m)	Real terms reduction (%)
Grants to police	5,984	5,273	4,801	20
Rest of the Home Office	3,298	2,540	2,313	30
Total resource spend	**9,282**	**7,813**	**7,114**	**23**
Of which, administrative spend	731	538	490	33
Capital spend	**829**	**466**	**424**	**49**

Source: Home Office

3.3 There are four key priorities for the Department in managing its finances over the Spending Review period:

- **Protecting the front line:** Delivering a safe and secure Olympics; controlling the border.
- **Delivering core policies in the structural reform plan:** Introducing Police and Crime Commissioners; setting up the National Crime Agency; strengthening protection against terrorist attack.
- **Cutting administration costs:** Reducing the costs of policy, regulation and funding functions by 33 per cent, through reductions in overheads and staffing in each business area and arm's-length body.
- **Investing in major capital programmes:** 2012 Olympics; communications capability; e-borders; immigration caseworking.

The Department's savings plans

Savings from core activity (excluding main police funding)

3.4 The Department must make savings of £664 million per annum by 2014-15. Its central finance team has worked closely with staff in each directorate to identify savings. Spending in 2011-12 is due to fall by £495 million. This total comprises: £251 million in the UK Border Agency; £178 million in Crime and Policing Group; £42 million in the Identity and Passport Service; and £24 million in the core Department. Further savings of around £270 million are expected for 2012-13, with the UK Border Agency again contributing just over half.

3.5 In total, the Department plans to save just over £1.1 billion per annum by 2014-15, although it classifies around £400 million of these savings as being less certain and around £100 million as being only in development. It is planning to exceed the required savings of £664 million to this extent because it anticipates spending pressures in other areas, particularly in the latter years of the settlement.

3.6 The Department has followed good practice, by using its understanding of the profile of costs in its business to make decisions. Using the core elements of financial control identified in Part Two, it has put a system of financial monitoring in place, and its plans to deliver savings in the early part of the spending review period appear strong. But there is more work to be done. The board has considered the Department's savings plans only briefly, and directorates have yet to examine whether they could:

- make more savings by exploiting opportunities which cut across the business. Existing plans are based on an exercise where each business unit was presented with a reduced budget, and asked to make the necessary savings;
- find additional high-value but high-risk savings in later years;
- consider whether the areas for savings are the most appropriate ones to maintain the efficiency and effectiveness of spending; and
- ensure the impact of reductions in staff on operations is fully understood and monitored.

3.7 The Department makes grants for specific activities such as crime prevention. Grant agreements are formally linked to outcomes but these outcomes are often difficult to measure. Up to this point, the Department has not made decisions on which grants to cut based on strong empirical evidence of where funding can generate best impact.

3.8 There are, however, positive examples of financial rigour. In 2011, the Department reviewed the monies used by the Metropolitan Police Service for VIP protection, and identified savings of £22 million, or around one-fifth of the total budget. This demonstrates how the Department can generate further savings by challenging the efficient use of grant funding by delivery bodies.

Savings from police activity

3.9 Although police forces are independent bodies, the Department's central finance team has generated projections of where forces might make cost savings. There are two areas which the Department can influence directly. Forces might save around £380 million through better procurement and a more collaborative approach to ICT. In addition, some £550 million could be saved through a salary freeze and changes to police pay and conditions arising from the Winsor Report.[17] However, almost £1.5 billion of savings will need to be identified and achieved by local forces, for which a range of plans are in place.

17 *Independent Review of Police Officers' and Staff Remuneration and Conditions*, Tom Winsor, March 2011.

3.10 In response, the Department has created a multi-agency Policing Value for Money Unit to help improve efficiency and maximise savings in national procurement and support services, and to enable transformational change. A national approach to procuring IT systems is under way through the Information Systems Improvement Strategy (ISIS). The Department intends that the strategy will converge police IT systems and save the police service £180 million annually from 2014-15 onwards. A recent NAO report found, however, that, "it is unclear how forces will be convinced that they can be better supported, at reduced cost, through using nationally available services and adopting common business processes".[18]

3.11 All 43 forces in England and Wales face a 20 per cent central government funding cut in real terms by 2014-15. In summer 2011, Her Majesty's Inspectorate of Constabulary[19] reported on how forces were dealing with the challenge of reduced funding. It found that 17 of the 43 forces in England and Wales had generated plans to yield the necessary cost savings. But the remaining 26 forces had a shortfall in their plans, amounting to around £500 million. In some cases, this was because the force had decided to plan over a three-year rather than four-year time frame. In other cases, the plan simply did not yield sufficient savings. The Department believes that most of the savings gap has since been covered by forces' plans. However, this cannot be confirmed until the Inspectorate reports on the subject again later in 2012.

3.12 Forces have access to guidance from Her Majesty's Inspectorate of Constabulary and the Policing Value for Money Unit. Nevertheless, we are concerned that some forces may still not have the necessary expertise to best decide where and how to make savings. This context, along with the changes in police accountability outlined below, make it increasingly difficult for the Department to confidently assess whether forces will generate the necessary savings, and do so while protecting front-line services.

Police accountability

3.13 In 2009, the Committee of Public Accounts noted the limited mechanisms available to the Department to hold police forces and authorities to account for their use of the £5 billion funding it provided.[20] The Committee recommended that the Department should look to Her Majesty's Inspectorate of Constabulary and the Audit Commission to strengthen the accountability exercised by local forces.

18 Comptroller and Auditor General, *Mobile Technology in Policing*, Session 2010–2012, HC 1765, National Audit Office, January 2012.

19 Her Majesty's Inspectorate of Constabulary, *Adapting to Austerity: A review of police force and authority preparedness for the 2011/12-2014/15 CSR period*, July 2011.

20 See footnote 2.

3.14 Two subsequent developments will further change the nature of police accountability to the Department:

- In August 2010, the Secretary of State for Communities and Local Government announced plans to disband the Audit Commission, and to contract its work out to private sector firms.
- The 2010 Green Paper *Policing in the 21st Century* introduced the concept of locally elected Police and Crime Commissioners, changes to the role and responsibilities of Her Majesty's Inspectorate of Constabulary, and the abolition of Home Office-led policing targets and performance measurement. The Home Office Accounting Officer remains accountable to Parliament for the money it grants for policing, but not for operational performance.

3.15 The Police Reform and Social Responsibility Act advises that the Department will keep primary responsibility for policing within central government. It states that the Department will continue to provide grant funding to police forces as well as setting the national strategic direction. The Home Secretary will retain powers to direct Police and Crime Commissioners and Chief Constables to take action if they are failing to carry out their functions. The Act also gives the Home Secretary power to specify procurement arrangements to be used by the Police Service as a whole. The changing police landscape is summarised in **Figure 8**.

3.16 The Department is required to produce an accountability system statement, which describes how it will properly oversee policing while increasing local autonomy. This statement has been through various iterations since mid-2011, and a number of elements are not due to be finalised until mid-2012.

Machinery of government changes

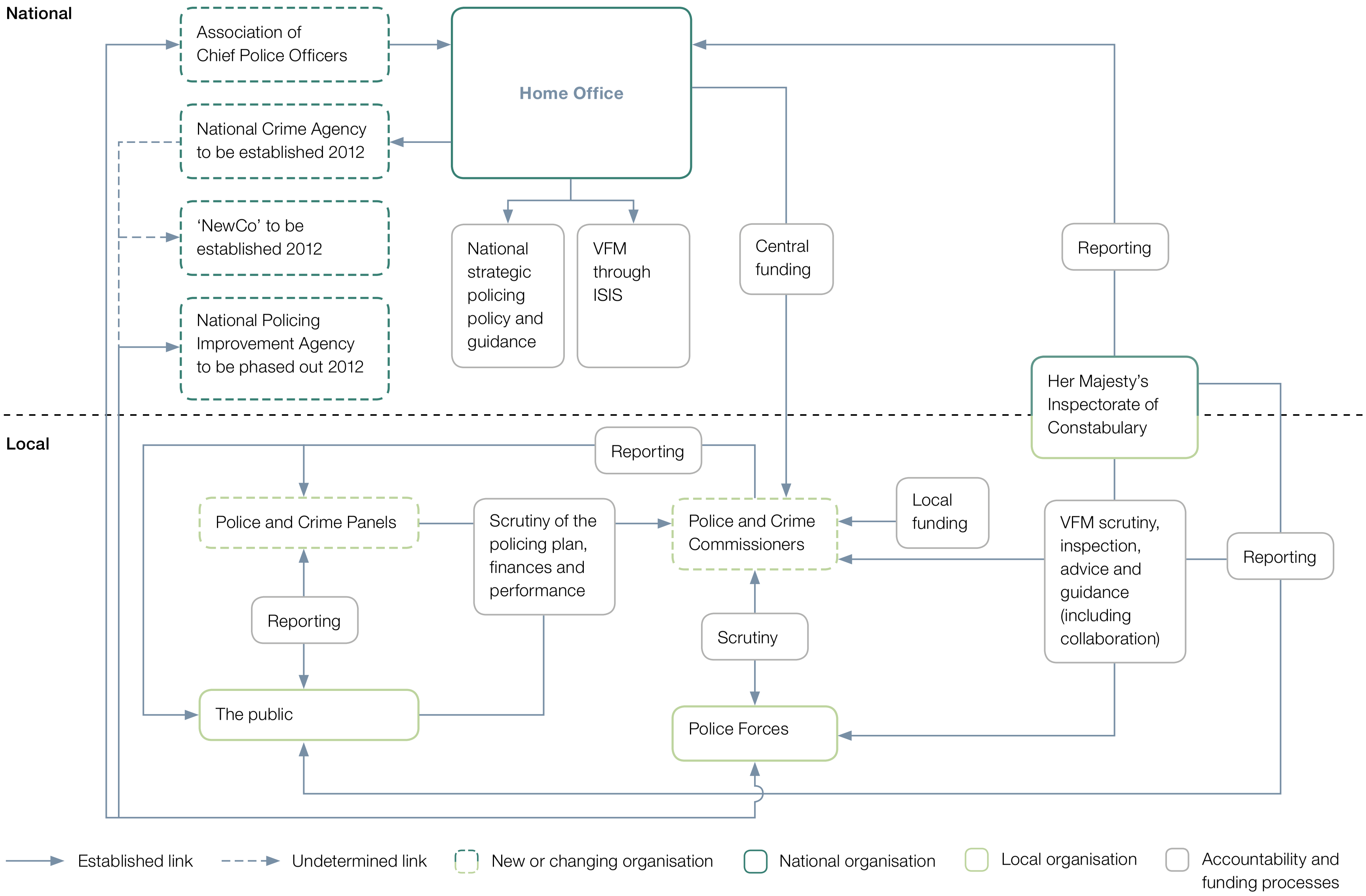
3.17 Our 2009 report[21] identified financial management in new business areas as an area of weakness. In response, the Department examined the lessons learned from its experience of newly established bodies and made over 20 recommendations. These recommendations are consistent with other NAO work, which emphasises the need to: align time frames and resources to manage the programme; have clear organisational aims and structures; use appropriate skills and knowledge; and manage costs strongly.[22]

3.18 We examined the three most significant change programmes, which are to:

- create a National Crime Agency, incorporating many of the Serious Organised Crime Agency's operations;
- phase out the National Policing Improvement Agency; and
- merge the Criminal Records Bureau and Independent Safeguarding Authority to form a new Disclosure and Barring Service.

21 See footnote 1.
22 Reports by the Comptroller and Auditor General: *Reorganising Central Government*, Session 2009-10, HC 451, National Audit Office, March 2010; *Reorganising Central Government Departments*, Session 2010–2012, HC 1703 National Audit Office, January 2012; http://www.nao.org.uk/publications/1011/arms_length_bodies.aspx; http://www.nao.org.uk/publications/1012/initiating_successful_projects.aspx

Figure 8
Changing police landscape



Source: National Audit Office

Time frames and resources

3.19 The Government announced plans for the National Crime Agency in summer 2010, and the Agency is due to go live in late 2013. The programme therefore benefits from a relatively long time frame. The Department created a steering group in September 2010, with a full programme board established from July 2011. The programme has gained momentum after appointing a Director General in October 2011. An infrastructure board, whose responsibilities include finance and affordability, was created in autumn 2011 and work on the underlying streams began. The Government is now finalising the legal form of the new entity and the functions it will discharge as part of the preparations for legislation.

3.20 Phasing out the National Policing Improvement Agency by December 2012 entails a number of different strands, the most challenging of which is creating a new police ICT company and a Police Professional Body. There was a slow start after the ministerial announcement in July 2010. The Department only added delivery capability in September and October 2011 respectively. While this extra capability enabled some progress, key decisions needed to be made extremely quickly on the ICT company and some remain outstanding on other areas of the closure programme.

3.21 The Department determined the legal form and functions of the new Disclosure and Barring Service at a relatively early stage. However, the implementation date of November 2012 was set in late 2011, before any detailed planning activity had taken place. The programme has a steering group supported by four subsidiary boards, and has been divided into nine work streams, each of which is led by named individuals. However, some of the work streams have made little progress, and acceleration in the programme is required. In March 2012, Internal Audit reported that successful delivery of the programme was feasible, but that:

> "The delivery time frame is at best challenging and necessitates ... planning and risk management that will need to be both dynamic and elastic in order to be effective. This will be exceptionally challenging."

Organisational aims and structures

3.22 HM Treasury has agreed that the Department may develop a working draft of the National Crime Agency Business Case, including high-level financial considerations and more detailed costing work, during 2012. In March 2012, the programme design team recognised that additional input was required, to provide more focus and momentum, as the four commands which will form the Agency had been developing in isolation and independently from the infrastructure stream. The team have set out a programme of work for April to June 2012, which aims to deliver:

- a **blueprint** for the design and operating model; and
- a **road map** of the priorities and actions needed to set up the Agency by September 2013.

3.23 The Major Projects Authority reviewed the ICT company and Police Professional Body programmes in December 2011. It concluded that ideal solutions for the ICT company might not be achievable in the short term. The Authority said that it might be necessary to take a more pragmatic approach, with a view to achieving the programme's aims only in the longer term. It also expressed concern that decisions were still outstanding about organisational scope and form. At the time of our review, a detailed business case for the Police Professional Body was only just being developed, even though it needed to be ready for HM Treasury sign-off in April 2012 to allow the minister to decide on ownership and funding.

3.24 The aims of the Disclosure and Barring Service programme seem to be well established, but the outline business case in June 2011 focused on convergence of disclosure services, and excluded any consideration of the merger of the two bodies. A full business case is expected in May 2012, and discussions about organisational structure and funding model are ongoing. There is a pressing need to appoint the head of the new body to finalise key decisions and accelerate progress, and this is likely to happen in July 2012, just four months before launch. There is a risk that, with attention focused on the new body, sufficient attention will not be given to proper close-down and accountability for the precursor bodies.

3.25 Producing business cases is a key element of good financial and programme management. If these are not developed at an appropriate stage of a programme, it is hard to properly consider costs and benefits, and options to deliver the intended objectives. There is also a risk that work may begin without a proper framework. This can not only increase programme costs, but also lead to longer-term structural issues, such as poor financial systems.

Skills and knowledge

3.26 The National Crime Agency team has a good set of programme and project management skills, and staff are aware of the lessons from past change programmes. In contrast, the National Policing Improvement Agency programme has lacked continuity at senior levels, and had a shortage of staff with the finance and project management skills needed to produce key outputs such as the business plan.

3.27 There is also a risk that staff may be appointed to roles without the necessary experience. For example, the area responsible for accounts and audit in the Disclosure and Barring Service has no accounting expertise or knowledge of the accountability arrangements for new bodies. The programmes would benefit from better mechanisms to share knowledge, as each team will be experiencing similar challenges.

3.28 All three programmes need significant input from staff in the legacy bodies. The Department has made little assessment of how far this resource is needed, or of any potential impact on current delivery within those bodies.

Managing costs

3.29 In June 2011, the Department made a clear commitment to form the National Crime Agency from within the funding levels of precursor bodies. Subsequent assessments concluded that costs are likely to be manageable based on the expected funding position. However, the Agency must continually test costs as its design and operating model, and the implications for its infrastructure, are clarified.

3.30 A December 2011 review by the Major Projects Authority concluded that the programme has "sound plans and is making good progress". The majority of functions transferring into the Agency will come with associated funding. However, some new functions within the Border Policing and Economic Crime commands are being considered, and these functions may require additional funding.

3.31 Programme teams are aware of the need to identify transition costs. The National Crime Agency programme board recognises that these will include harmonising staff terms and conditions, meeting new estates and IT requirements, branding, training and recruitment. However, there has been no quantification by any of the programmes. In January 2012, a paper on affordability and funding asked the board to note the key pressures that had been identified and agree that a prioritisation process may be required when a full picture of transition and running costs became available.

3.32 The National Policing Improvement Agency programmes entail the costs of transition and of dual running. The Department currently plans to meet these costs from savings in other budgets, but has not yet assured HM Treasury that this transition is affordable.

Appendix One

Methodology

Our methodology consisted of:

Method	Purpose
Semi-structured interviews with Home Office personnel, including: • non-executive board members; • Director General, Finance and Corporate Services; • Director, Performance and Finance; • finance directors of arm's-length bodies and business areas; • Head of VFM and Productivity Unit; and • Head of Corporate Support Unit.	Each interview explored: • financial management; • structured cost reduction; and • challenges facing the Department. In our interviews with finance directors from the key sponsored bodies, we covered the above topics and the relationship with the core Department.
Reviewing departmental documents, including management information and board reporting, financial improvement strategy closure reports.	Evaluate the extent of changes in financial management processes since our 2009 report.
Validation of the Department's self-assessment against the NAO's Financial Management Maturity Model.	Draw conclusions on the Department's level of financial management maturity and how far it has met Committee of Public Accounts' recommendations.
Observation of the Home Office executive management board, UK Border Agency board and group investment board.	Evaluate the effectiveness of the governance arrangements.
Analysis of fee income, capital spending and cash flow.	Validate the Department's performance in financial control and monitoring.

Appendix Two

Progress against Committee of Public Accounts' recommendations made in October 2009

Recommendation summary	Implemented?
1 Sustain momentum by incorporating strong financial management across its business.	Ongoing. Significant progress has been made, but the performance of some business areas remains less strong. See paragraph 1.12.
2 Revise the strategy for finance improvement.	Yes. See paragraphs 2.27-2.28.
3 Refresh, refine and strengthen the operating review process.	Yes. See paragraph 2.13.
4 Build in the flexibility, capability and capacity to respond to new challenges.	Ongoing. The Department is now strong at responding to challenges that involve financial control and decision-making (paragraphs 2.12–2.16). But its capability for implementing change programmes is less well developed (paragraphs 3.17–3.32).
5 Set fee rates by modelling costs, fees and demand against a revised range of assumptions.	Ongoing. See paragraphs 2.32–2.34.
6 Manage capital budgets better, so that slippages are identified and funds are released for use elsewhere.	Yes. See paragraphs 2.21–2.25.
7 Use the HMIC inspection regime to strengthen the accountability exercised by local police authorities, while encouraging poor performing forces to improve.	Ongoing. Police accountability arrangements are changing. See paragraphs 3.13–3.16.
8 Measure attainment of the single national target for police.	No. The target was removed at the end of June 2010.
9 Set targets for retention of staff in key business unit finance posts, and for attendance on relevant training courses. Use financial expertise flexibly, redeploying qualified staff as necessary and using inward secondments.	Ongoing. The Department has generally improved its finance capability and skills, but some challenges remain. See paragraphs 2.26–2.30.
10 Resource new organisations and business areas from start-up to carry out their functions effectively.	Ongoing. Programmes to introduce new organisations and business areas face a number of challenges. See paragraphs 3.17–3.32.
11 Improve procedures for identifying contingent liabilities in advance, and for notifying Parliament of them.	Yes. Submission of high-quality departmental minutes now allows the full 14 sitting days for Parliamentary review.

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