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COMPTROLLER AND
AUDITOR GENERAL

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Home Office

The UK Border Agency and Border Force: Progress in cutting costs and improving performance

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National Audit Office

Home Office

The UK Border Agency and Border Force: Progress in cutting costs and improving performance

Report by the Comptroller and Auditor General

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Amyas Morse
Comptroller and Auditor General
National Audit Office

12 July 2012

Since 2009, the UK Border Agency and Border Force have wanted to change the way they operate, both to deliver better services and to reduce costs.

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This report can be found on the National Audit Office website at www.nao.org.uk/border-agency-2012

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Key facts

£2.17bn

spent by the UK Border Agency and Border Force in 2011-12

£2.44bn

UK Border Agency and Border Force spending in 2008-09

4,500

planned staff reductions between 2011 and 2015

22,580	full-time equivalent (FTE) staff employed by the UK Border Agency (including Border Force) at April 2011
20,469	full-time equivalent (FTE) staff employed by the UK Border Agency and Border Force at April 2012
Over 1,000	FTE staff reductions made above planned reductions by March 2012 in the UK Border Agency and Border Force
350	actual FTE staff reductions made in the Border Force in 2011-12
120	current performance indicators
£385 million	Immigration Case Work programme budget to March 2015
£28 million, or 12 per cent	Immigration Case Work programme overspend against profile by the end of March 2012
£285 million	spent on asylum support in 2011-12

Summary

1 UK immigration, asylum and border operations are administered by the UK Border Agency (the Agency) and the Border Force on behalf of the Home Office. Between them they spent £2.2 billion in 2011-12 and employed around 21,000 staff. Their purpose is to regulate the flow of people and goods into and out of the UK, with the objectives of securing the border and reducing immigration. They decide on the eligibility of foreign nationals to stay in the country and enforce immigration law. At the same time, they aim to facilitate legitimate travel and trade, helping to protect UK tax revenue and support economic recovery.

2 Between April 2008 and February 2012, operations were managed by the Agency alone. On 1 March 2012, the Home Secretary separated the Border Force from the rest of the Agency. The transition arrangements to establish two separate organisations will not be complete until autumn 2012.

3 Since 2009, the Agency has wanted to change the way it operates, both to deliver better services and to reduce costs. By automating its processes and becoming more flexible, the Agency's overall aim is to deliver a better service by March 2015, reducing costs by at least £350 million and employing around 5,000 fewer staff than in 2010-11. The National Audit Office has devised a good practice framework to assess the organisation's progress in developing and implementing an optimal operating model that offers maximum service delivery at the lowest cost (Appendix One). This report examines progress against the framework, assessing the:

- coherence and robustness of the target operating model and plans; and
- progress in reducing costs and improving performance.

Key findings

Coherence and robustness of the target operating model and plans (Part Two)

4 The Agency and Border Force deserve credit for planning ambitious transformation initiatives in caseworking and in workforce practices at the border, as well as a range of cost reduction measures in contracting and central services.

The Agency is undertaking transformation of immigration and asylum casework by 2015, through streamlining processes and implementing a new information technology (IT) programme (known as Immigration Case Work or ICW). The Border Force is modernising its workforce and making greater use of e-borders technology. Overseas offices are being cut from 130 to 25 to streamline visa processing. The 2010 spending review required the Agency to reduce its budget by at least 15 per cent between 2011 and 2015, and the Agency has been looking for additional cost reductions beyond its transformation initiatives, including new asylum support contracts and streamlined corporate services.

5 Since 2009, the Agency has improved its business planning, introducing better processes and embedding value for money. The Agency's corporate centre has introduced a standard planning approach for its business units, setting each annual performance targets, workforce numbers, budgets and change initiatives on a three-year rolling basis. In 2009, the establishment of a Value for Money Directorate helped units include cost reduction measures in their plans, and it also constructed new Agency-wide productivity metrics and a unit costing model. Since 2010, it has also joined up operational and finance data in Agency planning and insisted that business units use standard reporting of progress. The corporate centre now challenges unit performance at quarterly meetings, helping to identify information gaps and areas where units need to define their plans more clearly.

6 The Agency has made some progress in managing the risk of poor integration across its business units, but more action is needed. In addition to introducing a standard unit approach to planning, in 2011 the Agency's corporate centre established a Programme Integration Board to identify critical interdependencies between its major transformational change initiatives. But integration remains limited, because of the Agency's structure of self-contained business units which draw up their own plans and run their change initiatives themselves. The Agency's 2015 target operating model was drawn up after the business units had started developing theirs, resulting in a collecting together of different target operating models into one, rather than a coherent Agency-wide vision of future activities. There is also a lack of detail in the Agency's target operating model, for example exactly how caseworking processes will change in practice, and how changes in operations will affect costs and performance levels.

7 The lack of integration has affected efficiency and performance in some areas. Caseworking and Border Force changes have often been independent of headcount reduction plans. In 2011-12, the Agency's workforce reduced by over 1,000 more than planned, despite the fact that progress was slower than expected in the ICW programme and workforce modernisation at the border, and no Agency-wide skills strategy was yet in place. The result of this disconnect was, in some places, a dip in performance and the need to hire new staff or increase overtime.

8 The Agency's business unit structure and poor cost data inhibit the flexibility needed to enable a nimble and efficient response to unpredictable levels of applications for immigration and asylum. Resource use is closely correlated to demand, and despite robust modelling processes in forecasting immigration and asylum, forecasting accuracy remains elusive because of unforeseeable changes in global political and economic conditions. Within the constraints of the current structure, the Agency works hard to respond quickly to fluctuations, (for instance, it did well in transferring staff to other functions after the Case Resolution Directorate closed), but such efforts are made more difficult by the static business unit structure and relatively rigid resourcing. At the same time, the lack of detailed understanding of cost drivers and their relationship to processes and outputs further undermines flexibility, as there is insufficient information for Agency managers to be confident in making the most value for money operational and resource changes when responding to unexpected demand spikes.

9 The Agency has recognised its lack of integration and other deficiencies, and is seeking to address them with a new transformation programme. The Agency is working to produce a new, Agency-wide transformation plan, which, as the Agency recognises, will address "significant underlying weaknesses in the Agency's structure, procedures, culture and ICT". In advance of the new programme, the Agency has recently established a new Strategy and Intelligence Directorate to provide a stronger corporate centre, which will direct future Agency activity more explicitly on the basis of intelligence information. The goal of the new Transformation Programme is to outline a new unifying operating model based on fewer management layers and cross-cutting directorates, with the goal to bring about 'root and branch' change to operations and performance by 2015. One current priority is a review of Agency performance metrics and the robustness of its corporate performance information.

Progress in reducing costs and improving performance (Part Three)

10 Since 2009, the Agency has made cost savings across many operational areas. Regional offices have reduced administrative spend in travel, subsistence and consultancy in particular. Centrally, the Agency has made good progress in streamlining corporate services and rationalising IT and estates infrastructure, as well as establishing new asylum support contracts. It reduced its workforce by over 3,000 between 2008-09 and 2011-12.

11 The Agency (including the Border Force) has reported savings of £675 million between 2009 and 2012. The Agency has used its own methodology to calculate savings made, and includes all asylum support cost reductions and excludes both early exit costs borne by the Cabinet Office and shared service costs borne by the Home Office. Against current standards on the public reporting of savings, some of these amounts could be excluded. According to the audited accounts, spending has reduced by £269 million over the period.

12 According to the Spending Review settlement, the Agency and Border Force together need to reduce costs by £126 million between 2011 and 2015, which equates to £350 million if adjusted for forecast inflation. The Agency has calculated that the 'real' savings target is higher at £594 million, to take account of an additional £244 million expected increasing cost pressures over the spending review period compared to 2010-11, for example from increased immigration and asylum costs. But the unpredictability of future demand means that cost pressures might turn out to be less than expected: in 2010-11 and 2011-12 the reduction in asylum support costs was due in part to lower than expected asylum intake.

13 It is difficult to assess the Agency's overall performance over recent years due to the way performance information has been collected. Since 2010, the Agency has tracked delivery of all of its business plan commitments, producing a detailed report each month covering all change-related and performance activities. Much of the data is a snapshot in time on the day it was gathered and is to signal in a broad sense which areas indicate performance exceptions requiring board attention. To enable stronger scrutiny and a clearer assessment of performance, the Agency is now redesigning its performance framework and assurance processes, including changes to the way in which performance and risk are reported to the board and the robustness of performance information. In carrying forward this work it is important that the Agency manages the risk that some areas of activity may not be monitored.

14 The bulk of future expected savings, and improvements in service delivery, depend largely on successful transformation measures in casework and the Border Force workforce. Casework change is dependent on tackling both business processes and successful delivery of the £385 million Immigration Case Work (ICW) programme. Both are behind schedule: there is scope to improve the efficiency of caseworking processes in preparation for the introduction of the ICW programme, and, despite early successes, there are significant problems with the programme, which has slipped by a year and is over budget. We found it had suffered from a loss of focus, poor governance structures and optimism bias in planning and reporting, although the Agency took steps to address these issues during 2011-12. Border Force workforce change has been hampered by the disjointed introduction of change measures and delay in implementation of a comprehensive operating resource model, which is needed to plan optimal deployment of staff.

15 Achieving significant change in any organisation requires strong leadership and good communication, which have not been evident enough to date.

There have been well-documented problems within the Border Force, and other criticisms of the Agency's management. The most recent Civil Service People Survey results show that only one-quarter of staff believe that the Agency's board has a clear vision for the future, and fewer than one in five consider that change is managed well. This is below average compared to the Civil Service as a whole, but comparable to other large operational departments like HM Revenue & Customs. The real leadership test will be whether the Agency can effectively transform casework processing without solely relying on the introduction of new IT, and whether the Border Force can improve its workforce practices. These tasks will require senior managers to overcome strong cultural resistance in order to fully achieve their transformation goals.

Conclusion on value for money

16 The Agency and Border Force deserve credit for undertaking ambitious transformation initiatives in caseworking and workforce practices at the border, and for adopting a series of cost reduction measures in contracting and central services. Progress has been made, but is hampered by insufficiently coherent planning, poor data and delayed delivery of key projects. The Agency's target operating model is not based on clear performance priorities, and strategic planning is not yet integrated enough to deliver cross-cutting measures effectively. The Immigration Case Work programme has slipped, and data on performance and costs still need improvement. The Border Force has only partly modernised its workforce so far. We welcome the new Agency Accounting Officer's and Border Force head's determination to address weaknesses and bring about deeper transformation, but the organisations face a steep climb to ensure that work to cut costs and improve performance in the spending review period to 2015 delivers value for money.

Recommendations

In taking forward transformational planning work:

a The Agency and Border Force need to focus on defining their target operating models in as much detail as possible. They should:

- Prioritise performance objectives, aligning them with key future activities and establishing a set of performance indicators that will reflect progress against the new objectives.
- Detail how activities will operate in terms of processes and outputs.

- b To help integrate its strategic planning and operations more effectively,** the Agency should:
 - streamline governance structures, for example merge the Corporate Services Board with the Programme Integration Board, and adopt rigorous monitoring arrangements, such as restructure the unit-based efficiency tracker tool to reconcile individual unit cost reduction measures with change initiatives; and
 - build in flexibility to its plans and future operating model to enable a nimble response to unexpected fluctuations in demand.

- c The Agency needs to transform caseworking in order to establish a strong foundation for future planning.** It should:
 - Further streamline processes across immigration and asylum caseworking, adhering to process management best practice, and set more stretching targets, ensuring the ICW programme supports rather than leads this work.
 - Further strengthen control over the ICW programme.

- d The Border Force needs to finalise its operating resource model as soon as possible and continue work to make its workforce more flexible.** It should conduct a thorough evaluation of the change measures it has introduced to date, in order to ascertain their combined impact on both staff deployment and operational performance.

- e The Agency and Border Force should improve their data on performance and unit costs.** This will clarify how far spending reductions represent year-on-year efficiency changes and the impact on front-line services, as well as enabling a more flexible response to unexpected changes in demand. They should:

On performance data:

- Ensure there is sufficient information on key areas; for example, for headcount, conduct a skills audit once the capability strategy is finalised.
- Ensure data are accurate and consistent between reporting periods.

On unit costs:

- Carry out more regular reviews of the way that costs within the model are allocated across organisational activities, to ensure apportionment rates are up to date.
- Consider ways to use the model unit cost more widely, for example integrating it with central planning and monitoring of key performance indicators.

Part One

What the UK Border Agency and Border Force do

Purpose and context

1.1 The UK Border Agency (the Agency) and the Border Force administer UK immigration, asylum and border operations. The Agency is an executive agency, and the Border Force a directorate, of the Home Office. The organisations' responsibilities are to regulate the flow of people and goods into and out of the UK, with their major objectives being to secure the border and reduce immigration. They enforce immigration law and decide on the eligibility of foreign nationals to stay in the UK. At the same time, they aim to facilitate legitimate travel and trade, helping to protect UK tax revenue and support economic recovery.

1.2 In April 2008, the new Agency brought together activities previously carried out by the Border and Immigration Agency of the Home Office, visa services provided by the Foreign and Commonwealth Office and customs detection work at the border carried out by HM Revenue & Customs. On 1 March 2012, the Home Secretary separated the Border Force from the Agency so that it could report directly to her. Between them, the Agency and Border Force cover about one-fifth of total Home Office spending.

1.3 The organisations' activities are complex, and they operate under tight legal constraints and close political and public scrutiny. Their activities are governed by at least 12 Acts of Parliament and the Agency processes dozens of different types of immigration and asylum applications. The Independent Chief Inspector reports regularly on the Agency and the Border Force, and the Home Affairs Select Committee has formally requested Agency performance reports three times a year.

Organisational structure

1.4 Since 1 March 2012, the Agency has been organised into three main delivery units. The Immigration Group deals with asylum and immigration casework and is based in six regional offices. The International Group issues visas in offices abroad. The Enforcement and Crime Group oversees the detention and deportation of foreign national prisoners and others who have no right to remain in the UK, as well as investigating immigration and border-related crime. In May 2012, the Agency consolidated its board-level structure to form three cross-cutting commands in support of the delivery units. A new Operations Directorate will oversee day-to-day and operational performance across the Agency; a Resources and Organisational Development Directorate will bring together finance, IT and people management; and the Strategy and Intelligence Directorate will lead on a number of cross-cutting and centralised functions which look to the medium and longer term – including strategic intelligence, business strategy, and operational policy and case working processes. The main driver of these changes was to improve central grip on key cross-cutting functions.

1.5 The Border Force, which was part of the Agency until 1 March 2012, manages the flow of passengers and goods through the border and maintains border security. Its transition to being a directorate within the Home Office is set to complete by December 2012, and is managed by a transition board. For now it is sharing many of the Agency's corporate service functions, such as finance and operational support. Its performance measures and objectives have so far not changed.

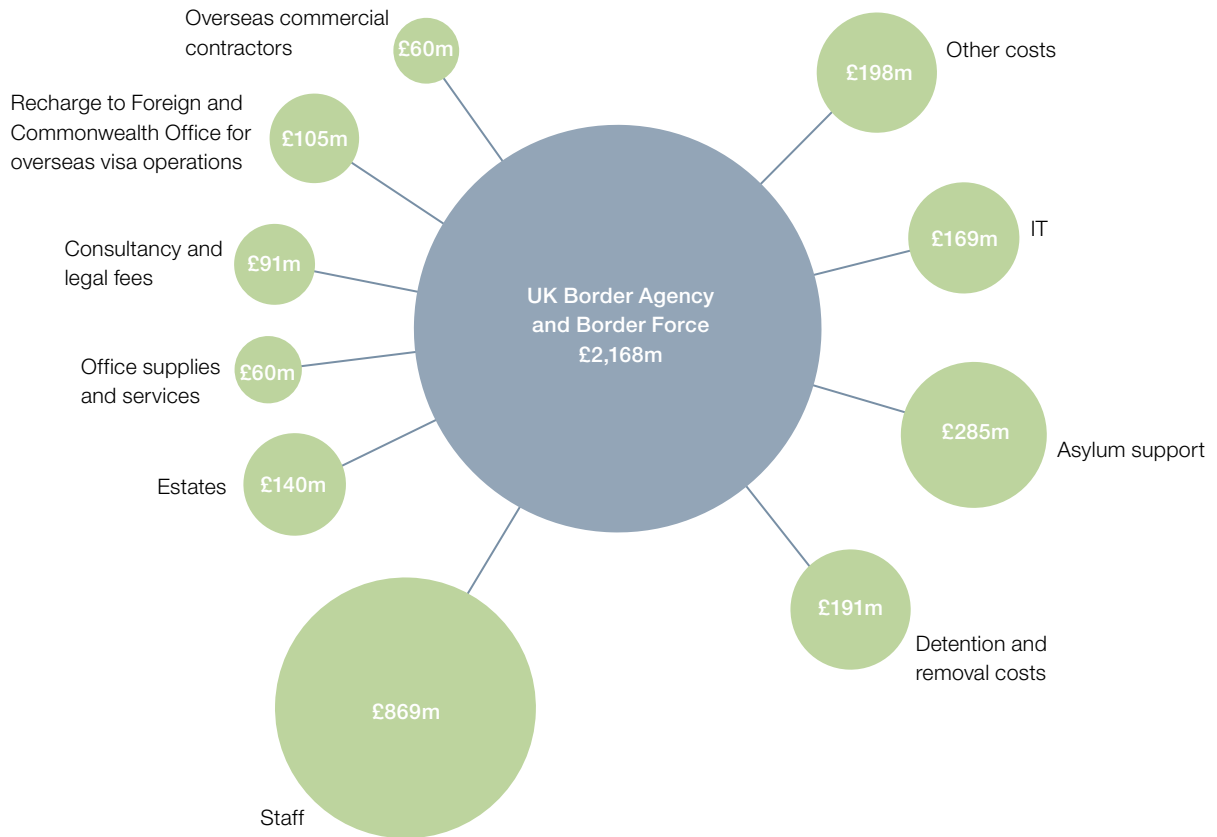
Spending, income and performance

Spending

1.6 In 2011-12, the Agency and Border Force together spent £2.17 billion. Of this, £869 million (40 per cent) was on staff costs, £285 million (13 per cent) on asylum support (mostly as grants), and £191 million (9 per cent) on detention and removal (**Figure 1**). A further £823 million (38 per cent) was spent on non-staff costs, such as IT, estates, office services, consultancy and legal fees, charges to the Foreign and Commonwealth Office for use of overseas facilities, and overseas commercial contracts.

Figure 1
Agency and Border Force spending in 2011-12 (£m)

Around half of the Agency's spending goes on staff costs and asylum support



NOTE

1 All amounts have been rounded to the nearest £million.

Source: National Audit Office analysis of Agency resource accounts 2011-12

Income

1.7 The Agency receives income from visa and other application fees. Both the number of applications and the fee rates are not directly within its control. Fee rates are set annually by Parliament, taking into account the potential impact on international competitiveness and economic growth. The Treasury allows the Agency to offset a specified level of income against its spending, with any excess going into the Consolidated Fund. 'Allowable' income levels increased between 2009 and 2012 and will stabilise for the rest of the spending review period at around £850 million per year. In this report, we focus on Agency spending rather than income as this is more within the Agency's direct control.

Performance

1.8 The Agency measures its performance in different ways. It reports on 120 indicators to the board each month, of which 50 are seen as key. It also reports publicly on its seven 'transparency' input and impact indicators (**Figure 2**). The Agency aims to reduce unit costs, increase productivity and improve outcomes for asylum casework. We found some problems with the performance framework and some of the underpinning data (paragraphs 2.19 and 3.22).

Scope of this report

1.9 This report examines how well the Agency and Border Force are transforming their operations during the spending review period, to reduce costs and improve customer service. The two bodies were one organisation for four years and remain closely connected, so this report examines them both under one umbrella of transformational change. The Agency managed the Border Force as a business unit until March 2012. It remains the larger body, and is therefore the main focus of this report, which covers:

- whether the Agency has developed a well-defined target operating model and has a coherent plan to implement change and reduce costs (Part Two); and
- whether project management is strong enough to deliver effective change that leads to sustainable cost reductions while maintaining – and in some areas improving – performance (Part Three).

Figure 2

The Agency's reported performance on its input and impact indicators: 2010-11 and 2011-12

Performance has improved or been maintained on five of the seven indicators. In 2011-12, the Agency expected that costs per migration decision would increase due to the closure of the Workers' Registration Scheme

Indicator	2010-11	2011-12
Cost per passenger processed at the border ¹	£3.25	£3.02
Cost per migration decision ²	£217	£223
Net migration to the UK ³	255,000	252,000
Annual level of revenue protected ⁴	£268m	£312m
Percentage of passengers cleared at the border within standard of 25 minutes for European Economic Area (EEA) nationals and 45 minutes for non-EEA nationals (target for both is 95 per cent) ⁴	98	97
Percentage of migration applications within standard ^{4, 5}	93	93
Percentage of asylum applications concluded within one year ⁴	58	66

NOTES

- 1 The figure for cost per passenger processed at the border is produced every six months.
- 2 The figure for cost per migration decision is produced every six months. The 2011-12 figure is affected by the closure of the Workers' Registration Scheme, which was high volume but low cost. The Agency's 2010-11 Annual Report anticipated that the removal of this scheme would lead to a small increase in the overall cost per migration decision.
- 3 Net migration figures are estimates.
- 4 These are cumulative figures for each financial year.
- 5 The standard for processing migration applications varies by application type and whether it was made in the UK or overseas.

Source: National Audit Office analysis of Agency performance data reported in Strategic Performance Packs to the board

Part Two

The Agency's vision and plans for change

2.1 This part examines the Agency's plans for implementing change while reducing costs. It examines whether the plans are underpinned by a comprehensive vision or target operating model spanning all of the Agency's activities, informed by a strong understanding of the links between demand, costs and performance. It also assesses whether the Agency's plans are integrated across the organisation, and include strong accountability, governance and monitoring arrangements.

The Agency's target operating model and cost reduction plans for 2011 to 2015

2.2 To transform their operations and make sustainable large-scale cost reductions, organisations need to have a clearly defined 'destination' or target operating model on which to base their plans, and to have an identifiable logic from the target operating model to cost reduction measures to performance, taking a whole of organisation approach.

2.3 Unlike most government departments,¹ the Agency deserves credit for starting to develop a medium-term target operating model during 2009, before the spending review, which added impetus to many of the planned changes rather than instigating them. The Agency's 2011 to 2015 business plan identifies a broad set of measures ranging from tactical reductions in discretionary spending to long-term transformational changes in casework and border operations (**Figure 3**). Once implemented in 2014-15, the measures are intended to maintain or improve 2010-11 performance levels at lower cost.

2.4 The Agency developed its target operating model after some of its main business units had started developing theirs. The result is a collecting together of different operating models rather than a coherent Agency-wide vision across all of its activities. The Agency has not yet worked out in detail the impact of all change initiatives on current operations, for example exactly how caseworking processes will change in practice, or the form of the new workforce resourcing model at the border.

¹ Comptroller and Auditor General, *Cost reduction in central government: a summary of progress*, Session 2010-12, HC 1788, National Audit Office, March 2012.

Figure 3

Summary of the Agency's and Border Force's 2015 target operating model and key initiatives, as set out in its current 2011 to 2015 Business Plan

The Agency has developed a high-level vision for how it wants to operate in 2015.

During 2011 to 2015, the Agency aims to transform the way it conducts and organises casework and Border Force operations. In the early years of this period, it will also focus on making efficiency improvements to current operations.

Casework: Within the UK, the Agency will further consolidate casework into 'centres of excellence' for temporary migration, permanent migration and asylum. Internationally, it will reduce the number of its international processing centres from 130 to 25. The workforce will be smaller and more productive as processes are automated and applications go online (as a result of process improvement and a new £385 million IT project – ICW).¹ More services will also be delivered through commercial partners.

Border Force operations: Changes will include increased use of e-gates and other new technology under the e-borders programme, with greater reliance on intelligence and carefully managed risk-based controls at the border. This will be supported by a workforce modernisation programme, including measures such as annualised hours contracts, to deploy staff more efficiently to meet peaks and troughs in demand.

Structural and tactical efficiency savings: In 2011-12 and 2012-13, current operations are to be made more efficient, building on efficiencies already achieved since 2009. Measures include new commercial arrangements for escorting, detention and asylum support; more effective use of Home Office shared services for IT and property management; staff reductions resulting from a 2010 corporate services review and more widely across all business units; and clampdowns on areas of discretionary spending such as travel and subsistence and the use of consultants.

NOTE

1 For example, in September 2011 a new document centre went live which will deal with the majority of the Agency's casework-related post. The document centre is outsourced to a private contractor, Fujitsu.

Source: National Audit Office analysis of Agency documentation, including the 2011 to 2015 business plan

2.5 It is also not clear how its performance objectives link to the Agency's change initiatives. Uncertainties on links between activity and performance reflect poor current performance prioritisation. There are over 120 performance indicators reported each month, of which about 50 are treated as 'key'. However, it is not clear how these latter indicators have been selected, or rank alongside the Agency's seven 'transparency indicators' published by the Home Office. The Agency has recognised that better prioritisation is needed and is reviewing its set of performance objectives and indicators.

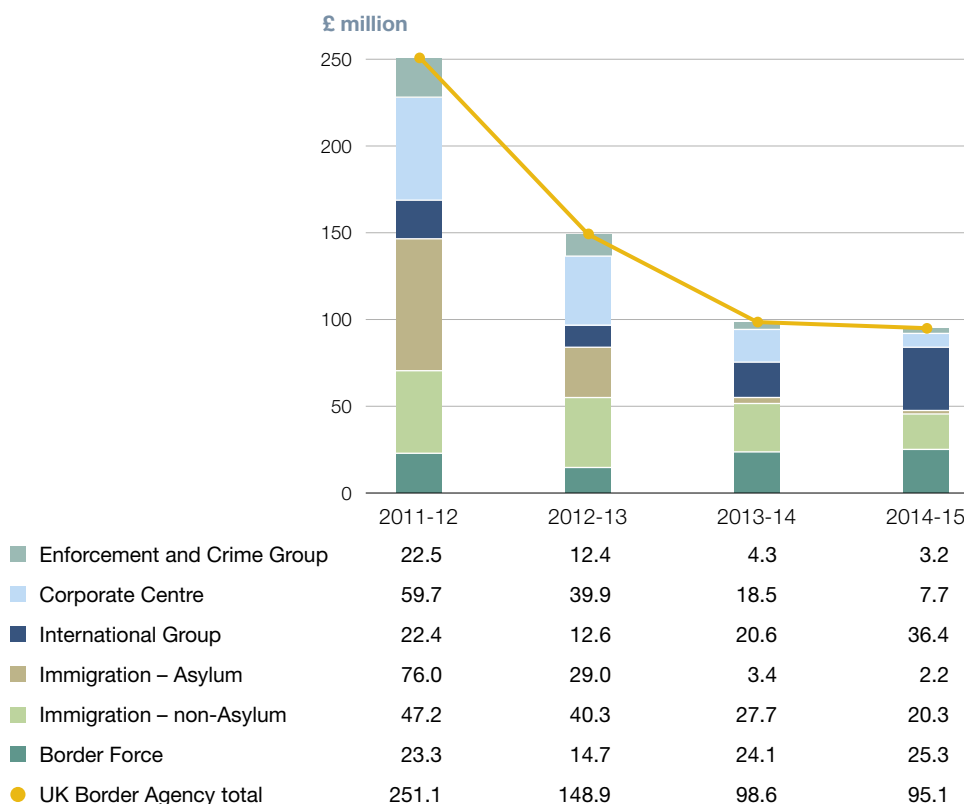
2.6 The Agency operates largely through delegating to its business units. The corporate centre sets the overall strategy and budget framework, agrees the annual budgets and business plans submitted by business units and monitors and challenges during the year. Through negotiation with the business units in the annual budget planning process, the corporate centre agrees expected savings and change milestones with the units for each year. Together, the plans amount to a total saving of £126 million in 2014-15 compared to 2010-11, which the Agency has calculated as £594 million in real terms; that is, adjusting the actual figure for increased cost pressures and inflationary effects (**Figure 4** overleaf and paragraph 2.17). In common with many other government bodies, savings from the major transformation measures are concentrated in the second half of the spending review period.²

2 Comptroller and Auditor General, *Cost reduction in central government: a summary of progress*, Session 2010-12, HC 1788, National Audit Office, March 2012.

Figure 4

The Agency's cost reduction plans by group and financial year

Savings from tactical and structural cost reductions are front-loaded in the first half of the spending review period: later savings rely on transformation measures such as the Immigration Case Work programme



Source: National Audit Office analysis of Agency financial plans

2.7 Since 2010, the Agency has improved both its annual planning and corporate centre challenge processes. It has introduced a standard approach for each unit, agreeing performance targets, workforce numbers, budgets and change initiatives each year, on a three-year rolling basis. The corporate centre challenges unit performance at quarterly meetings, where non-executive directors and senior management team members attend, helping to identify information gaps and areas where units need to define their plans more clearly. To monitor progress against cost reduction plans, the centre uses an 'efficiency tracker' tool. This sets out each unit's cost reduction measures by financial year and links them to data on relevant cost centre spending against budget, assigning a red-amber-green rating to each.

Integration of the Agency's plans

2.8 The Agency has tried to manage the risk of poor integration across units. In 2009, it established a temporary Value for Money Directorate to steer the development of cost reduction plans. This new directorate oversaw the development of new Agency-wide productivity metrics and the unit costing model, which standardised measurement across business units. In 2011, the Agency established a Programme Integration Board to identify critical interdependencies between its major projects, including the main transformational change measures, and began to explore options to connect ICW and e-borders. As planned, the Agency disbanded the Value for Money Directorate in 2011 and transferred its work into 'business as usual' processes, with oversight of the cost reductions taken over by the Corporate Services Board.

2.9 However, integration remains limited; hampered by the Agency's current operating structure of self-contained business units drawing up their own plans. In particular:

- Budgetary plans remain incremental, based on the previous year, and not 'zero-based' where operations are re-examined from scratch.
- In terms of central monitoring, the unit-based efficiency tracker tool does not reconcile individual cost reduction measures with cross-cutting initiatives, such as the ICW programme, removing incentives to tackle bottlenecks.
- Regional offices plan and act independently of each other.

2.10 More broadly, by delegating so much autonomy to business units, it is difficult for the Agency to look holistically at processes and practices across units, to coordinate changes and consider their overall value, and to spot opportunities for more radical change. For example, our report on student immigration³ found that the Agency had no overall measures for targeting students with expired visas or who were working illegally.⁴ Different parts of the Agency had their own targets and priorities and were not working together effectively.

2.11 The Agency has recently recognised these issues stating in a recent board paper "we have suffered in particular from the dislocation of our operational businesses and too much working purely in silos, and a lack of central grip on process and performance".⁵ The Agency's and Border Force's work on staff reductions further illustrate these issues.

3 Comptroller and Auditor General, *Home Office: UK Border Agency – Immigration: The Points Based System – Student Route*, Session 2010–2012, HC 1827, National Audit Office, March 2012.

4 There are restrictions on the number of hours that overseas students are permitted to work, depending on the level of their course and the type of college at which they study.

5 UKBA transformational activities update: paper for Supervisory Board – May 2012.

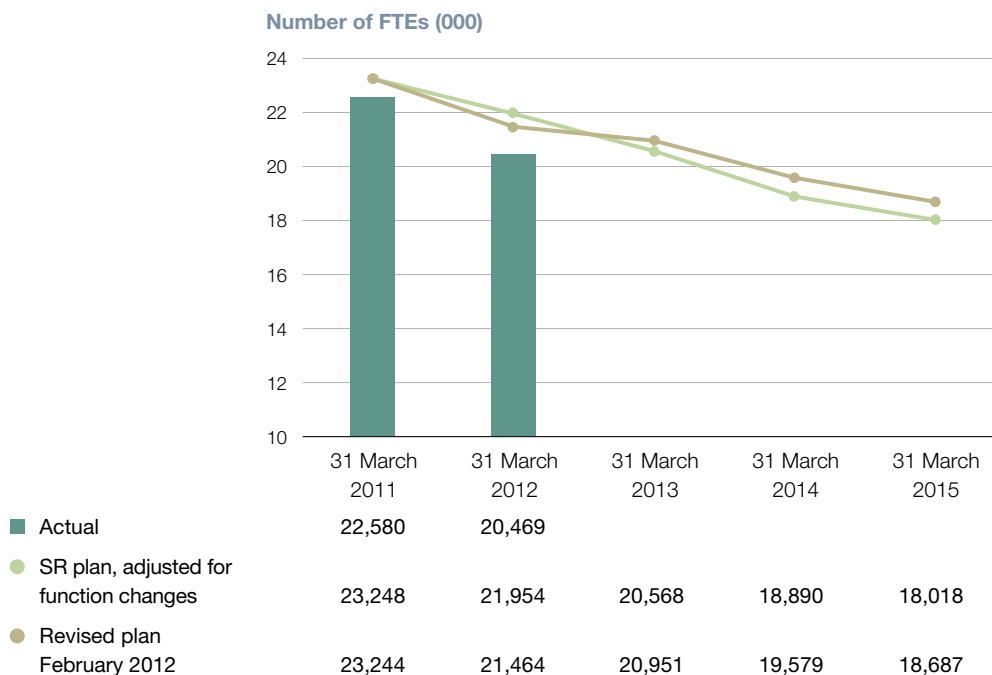
Staff reductions

2.12 Under the spending review settlement, the Agency committed to reducing its workforce by approximately 5,200 full-time equivalent (FTE) staff, or 22 per cent of its total workforce, between April 2011 and March 2015 (**Figure 5**). Because the Agency was actually ahead of its planned baseline at April 2011, it needs to reduce staffing by 4,500 in the spending review period itself to March 2015. In agreeing budgets with business units, the Agency's corporate centre considered larger change initiatives when identifying where to make staff reductions. For example, the Agency aims to reduce its staff levels by 34 per cent in the Immigration Group as caseworking is rationalised, and only 7 per cent in the Enforcement and Crime Group as compliance and enforcement are protected.

Figure 5

The Agency's staff reductions by group and financial year: actual and planned full-time equivalent numbers

Staff reductions planned for the latter half of the spending review period are heavily reliant on the effective delivery of change programmes such as ICW



NOTES

- 1 SR = Spending review, original plan after adjustment for function changes.
- 2 Planned numbers may be subject to further change.

Source: National Audit Office analysis of the Agency workforce planning data and relevant board papers showing actual and planned staff reductions

2.13 The pace of the Agency's staff reductions is not fully integrated with the progress of its business change measures, as it shed staff faster than planned despite project delays. The actual number employed on 31 March 2012 was 20,469, over 1,000 less than planned, and a reduction of 2,111 in total for the year (as 22,580 were employed on 1 April 2011). This was caused by higher than expected applications for voluntary exit and levels of 'natural wastage' (when staff who leave for other reasons are not replaced). Early exit costs have amounted to £60 million so far – £42 million in 2011-12 and £18 million in 2010-11.

2.14 Agency performance has dipped in some specific areas, in part due to implementing staff reductions faster than originally planned. For example, performance in London and the South East has come under pressure due to staff shortages. Two of the three regions we visited reported that they now need to recruit caseworkers, having allowed too many to leave. In April 2012, the Strategic Performance Pack provided to the Agency's board reported there were 800 vacancies. The Agency is currently reviewing the most cost-effective way to meet its recruitment needs while staying within its planned staffing level for March 2013. It is focusing on limiting external recruitment and filling vacancies through internal transfers, from elsewhere within government or through the use of temporary staff, wherever possible.

2.15 There is a risk that making further staff reductions, in advance of planned change enablers such as the ICW programme, may impact negatively on performance. The Agency acknowledges this risk but is unable to quantify its potential impact.

Understanding of costs and demand

Costs

2.16 A robust organisational target operating model and plan must be based on a good understanding of cost drivers and a clear grasp of the relationship between costs, outputs and outcomes, especially in cases such as those of the Agency and Border Force which must achieve their plans against falling budgets.

2.17 The spending review specifies the organisations' settlement for capital, running costs and allowable income each year from 2011-12 to 2014-15, but it does not explicitly state the cost reductions required. Against the 2010-11 baseline (excluding exceptional items), actual spending must reduce by £126 million in total, from £2.459 billion in 2010-11 to £2.333 billion in 2014-15, or 5 per cent in four years (**Figure 6** overleaf). Adjusting for forecast inflation, and assuming the Agency's inflation rate is equivalent to the GDP deflator measure, this implies inflationary effects of £224 million, meaning total real savings are £350 million, or 15 per cent. The Agency has also added £244 million to its 'real' savings figure, to allow for expected increased cost pressures in 2014-15 compared to 2010-11. But the unpredictability of future demand means that cost pressures may turn out to be considerably less (paragraph 2.21): in 2010-11 and 2011-12 the reduction in asylum support costs was due in part to lower than expected asylum intake.

Figure 6

The Agency's spending settlement 2011 to 2015

The Agency and Border Force together have to reduce spending by £126 million between 2010-11 and 2014-15, excluding inflation

	2010-11 (£m)	2011-12 (£m)	2012-13 (£m)	2013-14 (£m)	2014-15 (£m)
Spending	2,459 ¹	2,572	2,496	2,363	2,333
Income ²	(858)	(829)	(868)	(850)	(853)
Net spending	1,601	1,585	1,490	1,446	1,417

NOTES

1 Excludes exceptional items.

2 Income amounts are those allowed for Agency retention in the spending review settlement letter from HM Treasury.

Source: National Audit Office analysis of the Agency's spending review settlement

Development of a unit cost model

2.18 The Agency has improved its understanding of costs. In 2010, it started building a unit cost model to enable it to report on input and impact indicators published in the Home Office's Structural Reform Plan.⁶ In 2011, the Agency's Internal Audit reviewed the model and found it to be broadly well constructed.

2.19 The model is both ambitious in looking to reflect all Agency costs, including overheads, and extensive in its input from operational parts of the business. However, currently there are problems with the accuracy and timeliness of the information, in particular:

- the robustness of some of the percentage apportionments between cost centre and activity and between activity and indicator;
- the model is updated every six months, risking the staff and cost numbers used being out of date;
- the model uses a mix of actual and forecast cost information: using the latest actual information would provide a more accurate picture;
- some Agency-related costs are not included; for example, the voluntary early exit costs borne by the Cabinet Office;
- volume numbers are also a mix of forecast and actual figures, making them inherently inaccurate; and
- the model is not yet detailed enough; for example, our report on student immigration found that the Agency estimated it spent £300 million on enforcement and compliance, but did not know what proportion of this related to students, or other immigration routes.⁷

⁶ Including two transparency indicators for cost per passenger processed at the border and cost per migration decision.

⁷ Comptroller and Auditor General, *Home Office: UK Border Agency – Immigration: The Points Based System – Student Route*, Session 2010-2012, HC 1827, National Audit Office, March 2012.

2.20 Therefore there is scope to refine the model, and also to extend its use. It has already led to benefits, provoking business areas to think about costs, helping to expose overheads and indirect costs to scrutiny, and helping both central budget planners and front-line teams to consider value for money in their everyday work. It has produced useful cost information, which is not yet being fully exploited, such as direct costs and overheads for each major activity. There is potential to develop the model to provide more specific unit costs and to use this information to align costs with performance priorities, to determine which activities, processes and outputs are good value for money.

The need for a flexible resourcing model

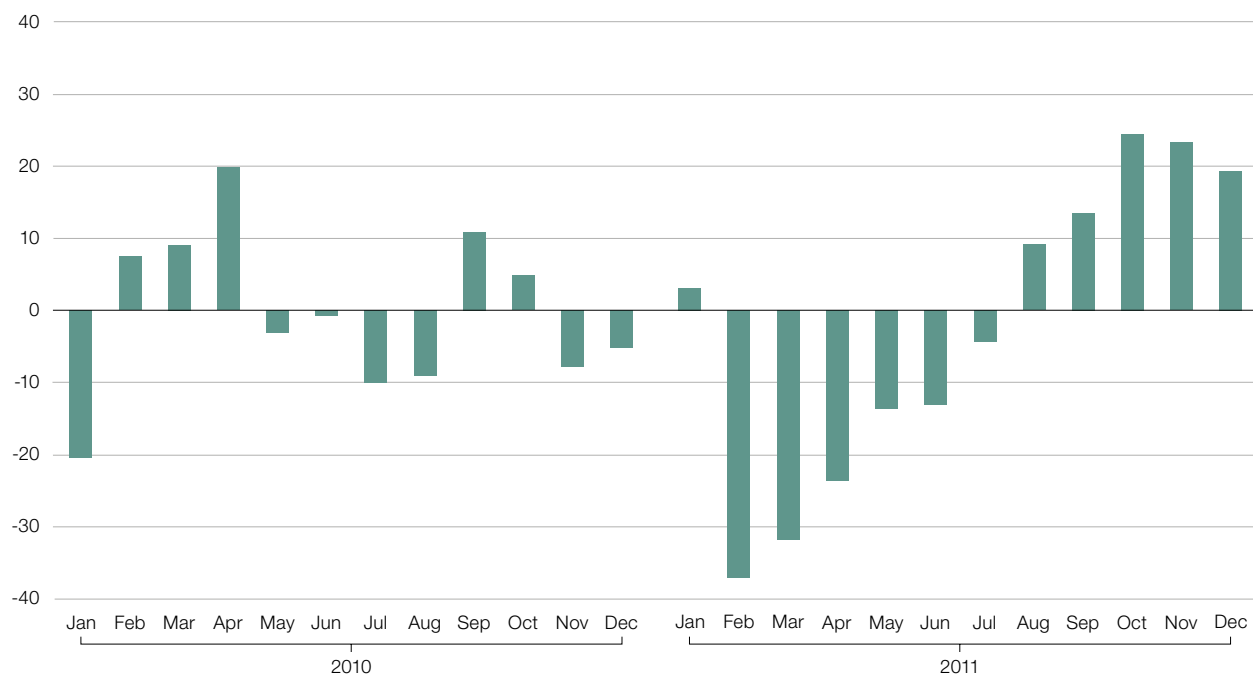
2.21 Despite robust construction, analysis and quality assurance processes supporting the Agency's demand forecasting, we found that immigration and asylum numbers remain largely unpredictable due to continual change in both the UK policy landscape and global political and economic conditions. For example, on the points-based system (covering work and student immigration routes, known as 'tiers'), the overall percentage difference between forecast and actual numbers for 2011 was 18 per cent (compared with 9 per cent in 2010), with more significant variance across individual tiers and on a monthly basis (**Figure 7** overleaf). The Agency recognises these limitations and at board level focuses more on volume trends than on actual numbers. Uncertainties are mitigated by tending to overestimate numbers of applicants, leading to over-budgeting. In 2011-12, for example, over-budgeting of asylum support meant that £49 million could be released to the Home Office for other pressures.

2.22 With such unpredictability, however, and where resources are so closely tied to demand levels, the Agency's current approach is not cost effective and may lead to severe bottlenecks in the case of an unpredicted demand spike. The Agency works hard to respond quickly to fluctuations, (for instance, it did well in transferring staff to other functions after the Case Resolution Directorate closed), but such efforts are made difficult by the current static business unit structure and relatively rigid resourcing model, which hinder rapid response to unexpected changes in volumes. The Agency and Border Force are both now working on new operating structures which will build in more flexibility. Expanded development and use of the unit cost model in these new structures should also enable senior managers to respond better to such bottlenecks in future.

Figure 7

Monthly percentage deviation of the Agency's points-based system forecasts

The accuracy of forecasts varies substantially by month. The overall percentage difference between forecast and actual numbers was 18 per cent in 2011

Percentage¹**NOTE**

¹ The Agency produces a range of upper, lower and realistic forecasts for each tier. The realistic forecast is usually, but not always, around the midpoint of the forecast range. This chart is based on the percentage difference between the realistic forecast and the actual number, by month.

Source: National Audit Office analysis of Agency forecast versus actual numbers (points-based system Tiers 1, 2, 4 and 5)

A new Transformation Programme

2.23 The Agency has recognised the limitations of its current planning and structure and is conducting a fundamental review of its operating model and planning process. The Agency aims to produce a new, Agency-wide transformation plan (Transformation Programme) by October 2012, which will outline a new unifying operating model based on fewer management layers and cross-cutting directorates, with the goal to bring about 'root and branch' change, improving performance at reduced cost by 2015.

2.24 As an early step in this work, the Agency has established a new central unit – the Strategy and Intelligence Directorate – to direct Agency work more explicitly on the basis of intelligence analysis. In preparing the Transformation Programme, the new Directorate is building detailed data on the major workflows, processes and networks across the Agency, and is reviewing corporate performance information and robustness of performance data.

Part Three

Progress in reducing costs and improving performance

3.1 This part examines the Agency's and Border Force's progress on implementing its target operating model and delivering sustainable cost reductions while maintaining (in some areas improving) performance.

Progress in cost reduction: 2009 to 2012

3.2 The Agency has delivered savings through structural changes and tactical efficiencies⁸ across many operational areas. These include:

- the completion of legacy asylum casework in 2011 and subsequent dissolution of the Case Resolution Directorate, set up to deal with legacy cases;
- rationalising its overseas visa processing operations, enabling reductions in headcount and other costs such as IT and estates;
- new commercial arrangements, including new escort, detention and asylum support contracts;
- staff reductions resulting from a comprehensive corporate services review in 2010, which delayered managers and centralised finance and performance staff in business units in order to streamline corporate services; and
- the cross-government freeze on pay and discretionary spending such as travel and subsistence and consultants and agency workers, particularly in regional offices.

Calculation of cashable savings

3.3 The Agency (including the Border Force) has reported savings of £675 million between 1 April 2009 and 31 March 2012: £101 million in 2009-10, £277 million in 2010-11, and £297 million in 2011-12.⁹ The Agency has used its own methodology to

⁸ As part of their 2010 spending review submissions, departments were asked to set out savings under two broad categories: those it is possible to make from improving efficiency, getting better value for money from public spending and stopping low-value programmes; and more fundamental savings from changing or reducing the role of the state. Since 2010, help in this work has been provided by the Cabinet Office's restrictions on a number of spending areas: pay and recruitment freeze; major contract renegotiation; no new building leases; procurement collaboration; moratoria on consultancy and advertising; and travel restrictions.

⁹ The 2011-12 figure includes £218 million for the Agency and £79 million for the Border Force.

calculate these amounts, but we found that this does not always follow Cabinet Office guidance on savings calculation, which states that reported savings should only include sustainable, cash-releasing savings that equate to efficiency improvements.

3.4 The Agency's calculations do not include some costs of investment projects or some external factors affecting Agency costs: investment in transformational initiatives has increased IT spend by a quarter between 2009-10 and 2011-12. Costs have also increased from investment in concluding legacy asylum cases and in new processes such as the roll-out of biometric residence permits. At the same time some functions have transferred into and out of the Agency. Cost pressures have increased in some areas and decreased in others, and some are borne by other bodies: shared services by the Home Office and early exit staff costs by the Cabinet Office. Reported savings over the last two years also include £239 million relating to asylum support cost reductions, due in part to a lower intake of new cases than had originally been forecast and therefore outside the Agency's control. According to the audited accounts, Agency (and Border Force) spending rose slightly from 2009 to 2011, and reduced by nearly £300 million in 2011-12. Over the period as a whole, spending has reduced by £269 million between 2008-09 and 2011-12 (**Figure 8**).

Figure 8

Agency (and Border Force) spending and retained income, 2008 to 2012

The Agency's spending rose slightly between 2008-09 and 2010-11, and reduced in 2011-12

	2008-09 (£m)	2009-10 (£m)	2010-11 (£m)	2011-12 (£m)
Staff	908	917	939	869
Asylum support	512	524	424	285
Detention and removal costs	194	210	206	191
Information technology	134	134	191	169
Estates	158	151	154	140
Other administrative costs	531	543	545	514
Gross spending	2,437	2,479	2,459 ¹	2,168
Retained income ²	(638)	(753)	(855)	(876)
Net spending	1,799	1,726	1,604	1,292

NOTES

1 Excludes £156 million e-borders write-off.

2 In addition to stated allowable income in the spending review settlement letter from HM Treasury (see Figure 6), some other income, such as EU grants and collected fines, may also be retained if received by the Agency.

Source: National Audit Office analysis of Agency resource accounts, 2008-09 to 2011-12

3.5 The efficiency savings that have been made so far, while often representing real achievements, have nevertheless been relatively straightforward. In future years, the bulk of further savings will have to come from changes to the operating model, which will involve the successful delivery of large change programmes. We examined these programmes (on casework and Border Force workforce transformation) in greater depth in order to gauge progress.

Case study 1: Improving the efficiency of caseworking

The Immigration Case Work programme

3.6 The Agency's major activity is caseworking, costing over £1 billion a year with about 10,000 of its staff processing the cases of approximately four million applicants per year. Cases range from temporary tourist visas to complex nationality applications. In 2008, the Agency saw considerable scope for improving efficiency in caseworking and embarked on change through investment in a large-scale IT programme, known as Immigration Case Work (ICW). With approval from the Home Office and the Treasury, the Agency earmarked £385 million for the programme, which is being developed alongside other casework improvement initiatives (see paragraphs 3.14 and 3.15).

3.7 ICW aims to create a single end-to-end caseworking process, leading to cost savings through streamlining, improving the quality and accuracy of decisions and providing better customer service through online self-service applications enabling faster decisions. The programme aims to roll-out 14 separate IT releases over five years from 2009, in order to save £139 million a year by 2014-15 in direct costs and indirect savings in estates and overheads. As it implements ICW, the Agency will be able to meet its plan to reduce the number of its overseas offices delivering visa services from 130 in 2011 to 25 in 2015. In the UK, ICW will enable further staffing reductions.

Progress so far

3.8 The project has already delivered some important successes. The 'i-Search' function enables caseworkers to access information held across 12 legacy systems more quickly. The Agency has set up a new document centre which, when operating at full capacity, will facilitate paperless caseworking by verifying and scanning documents sent in support of applications made online. The 'i-Decide' function was piloted in Muscat and Madrid, and rolled out between May and August 2011. The Agency has closed some overseas visa processing and application centres, reducing costs.

3.9 However, the programme has run into problems. Implementation dates have slipped by up to a year. Problems with the 'i6' release¹⁰ delayed subsequent releases, and there are difficulties in the roll-out to overseas visa operations. Despite less being delivered than expected, costs have overrun: at the end of March 2012, £252 million had been spent against the budget profile of £224 million: £28 million or 12 per cent higher

¹⁰ 'i6' was the first main operational release, providing the decision platform for all international group case types.

than forecast. Overall expected savings have been revised down, to £106 million by 2015. The Agency claimed £12 million cashable savings against a plan of £24 million by the end of March 2012. These savings relate to wider casework transformation initiatives rather than directly to the ICW IT programme.

3.10 The Agency is reviewing what it needs ICW to deliver. In the latest release (i8), approximately 540 requirements previously designated as ‘must haves’ were removed or postponed. Although some of these requirements may not, on further review, have been necessary, some planned functionality is being reduced as a result of their removal, for example, plans for customers to be able to track the progress of their applications online.

Inadequate programme management up to 2011

3.11 Loss of focus, poor governance and a tendency towards optimism bias in planning, delivery and reporting, have contributed to the current problems. At the outset there was a lack of strategic direction: the programme’s board did not challenge the IT contractors about their use of resources, necessary because the contract was on a ‘time and materials’ basis, meaning the Agency carried the risk for any overruns. Our regional visits revealed poor communication of progress to front-line staff, who were confused about the timing of releases, resulting in a lack of confidence in ICW.

3.12 The programme board also did not exercise enough oversight over the budget or routinely discuss spending. This was compounded by optimistic reporting on the status of the programme’s financial position. In the months after delays to releases first occurred, the programme board minutes do not show any in-depth discussion of spending. The accompanying board papers in July 2011 reported the status of ICW’s financial and commercial position as green. This status was not changed to amber-green until September and finally amber-red in October 2011.

Measures to tighten financial control

3.13 From late 2011, the Agency has tightened financial control and addressed weaknesses in programme management. A new senior responsible owner is overseeing the turnaround of the programme, supported by a programme management office to strengthen programme and financial management, monitor spending and contractor resource commitments, and ensure there is no further optimism bias in progress reporting. The Agency has improved commercial arrangements with new fixed price contracts, and stopped ‘parallel development streams’ (where a number of contractor teams work separately on different releases). A Major Project Authority report in May 2012 concluded that despite recent improvements, more needs to be done, especially in establishing stronger governance and assessed the programme’s performance as amber-red.

Efficiency of the Agency's casework processes

3.14 To implement ICW effectively, the Agency is attempting to improve the efficiency of caseworking before the IT changes, to avoid 'locking in' wasteful activity. Although it has implemented initiatives to improve efficiency (**Figure 9**), these tend to have been localised or targeted at particular aspects of the casework process, rather than taking a more holistic, end-to-end approach.

3.15 Our review of Fronrunner, for example, found that, while it was a positive initiative, it was only a first step in informing process improvement and had taken too long to introduce. Using Fronrunner data, the family casework team estimated that an application for Further Leave to Remain (Marriage) took an average 2.5 hours of actual caseworker time to conclude. This does not include the time taken by applicants to respond to information and other requests, but it indicates the potential to tighten the current target, which is to process 65 per cent of such cases within 20 days of the application being submitted.

Figure 9
The Agency's casework reform initiatives

The Agency has attempted to streamline casework processing in preparation for ICW

Initiative	Description
The Fronrunner tool (Performance Management Framework)	An attempt to record and benchmark how caseworkers spend their time.
Localised process reviews	Local process improvement reviews on specific elements of casework processing.
Chronos	A new workflow management tool which automatically prioritises cases and should improve throughput.
Asylum Improvement Project (AIP)	A project to improve the front-end of the asylum application process, feeding in to the ICW programme, which has had positive results on casework processing and conclusion rates.

Source: National Audit Office analysis of Agency material on caseworking improvement, including regional visits and walk-throughs

Case study 2: Improving the efficiency of the Border Force's workforce

The Border Force Transformation Programme

3.16 The Border Force Transformation Programme aims to improve the efficiency and effectiveness of the organisation. The transformation plan involves three main elements:

- **Workforce modernisation:** introducing annualised hours working; team-based deployment; regrading to match staff skills with the level of work being undertaken and developing a resourcing model to deploy staff more effectively to meet demand. Better efficiency and performance should result.
- **Intelligence-driven approach:** increased use of intelligence and risk-based border security checks.
- **Greater use of technology:** implementing a range of technology-based changes under the e-borders programme, including extending the use of e-gates.

Progress on workforce modernisation

3.17 Figure 10 summarises the main workforce modernisation measures, their progress in early 2012 and the findings from relevant internal evaluations, where available.

3.18 The Agency has implemented these measures cautiously, partly through concern about industrial relations, but also piecemeal, without evaluating their potential impact. In addition, the development of the operational resourcing model has been constrained by a shortage of modelling experts in the Agency.

3.19 The Independent Chief Inspector of Borders and Immigration has raised concerns about the integration of the different workforce change measures, and their combined impact. In his inspection report on Heathrow Terminal 3, he states “we found little evidence of a cohesive plan being in place to effectively manage the challenges that each of these organisational challenges presented”. He also recommended that the Agency should conduct a thorough evaluation to ascertain the combined impact of the measures on performance.¹¹

¹¹ Independent Chief Inspector of Borders and Immigration, *Inspection of Border Control Operations at Terminal 3, Heathrow Airport, August – November 2011*, May 2012.

Figure 10

Progress of workforce modernisation in the Border Force

The Border Force introduced a number of workforce changes in 2011-12

Measure and description	Progress	Findings
<p>Annualised hours working (AHW)</p> <p>Staff work a contracted number of hours over the year. Within agreed parameters, the Agency can vary shift patterns and working hours to address fluctuating demand, without incurring additional overtime costs or premium shift payments.</p>	<p>Implemented on 1 April 2011. Take-up was on a voluntary basis.</p>	<p>Sixty-two per cent of eligible staff in the Border Force work on annualised hours contracts. Take-up is variable between ports: coverage is lowest in Heathrow, at 32 per cent.</p> <p>In the first six months of 2011-12, premium payments and overtime decreased by £613,000 (19 per cent lower than the same period in 2010-11). This reduced in all regions except Heathrow, where payments increased by 8 per cent.</p>
<p>Team-based deployment</p> <p>Consolidation of smaller teams into groups of 10 to 12 customs and immigration staff managed by a higher officer, allowing some management delayering. Rostering is done as a group.</p>	<p>Fully rolled out by July 2011.</p>	<p>Under review.</p>
<p>Regrading trials</p> <p>Assistant officers able to process European Economic Area (EEA) passengers at border controls where previously this was done by officers.</p>	<p>Trials completed September 2011. As of February 2012, extension of the trials was uncertain due to the suspension of risk-based checks.</p>	<p>Trialled in three ports between January and May 2011. Team leaders were able to deploy staff more flexibly during shifts. Overall, the review found no detrimental impact on performance. The National Audit Office notes that the ports selected for the trial all had a higher than average proportion of EEA passengers, therefore its findings are not generalisable to other ports with more non-EEA passengers, such as Heathrow.</p>
<p>Operational resourcing model</p> <p>A resourcing model to calculate the number of staff required in ports by month, aligned with passenger numbers and planned detection activities.</p>	<p>Feasibility of delivery options scoped during late 2011-12. Target to complete model by March 2012.</p>	<p>Model still in development.</p>

Source: National Audit Office analysis of Agency documents and interviews with relevant project managers

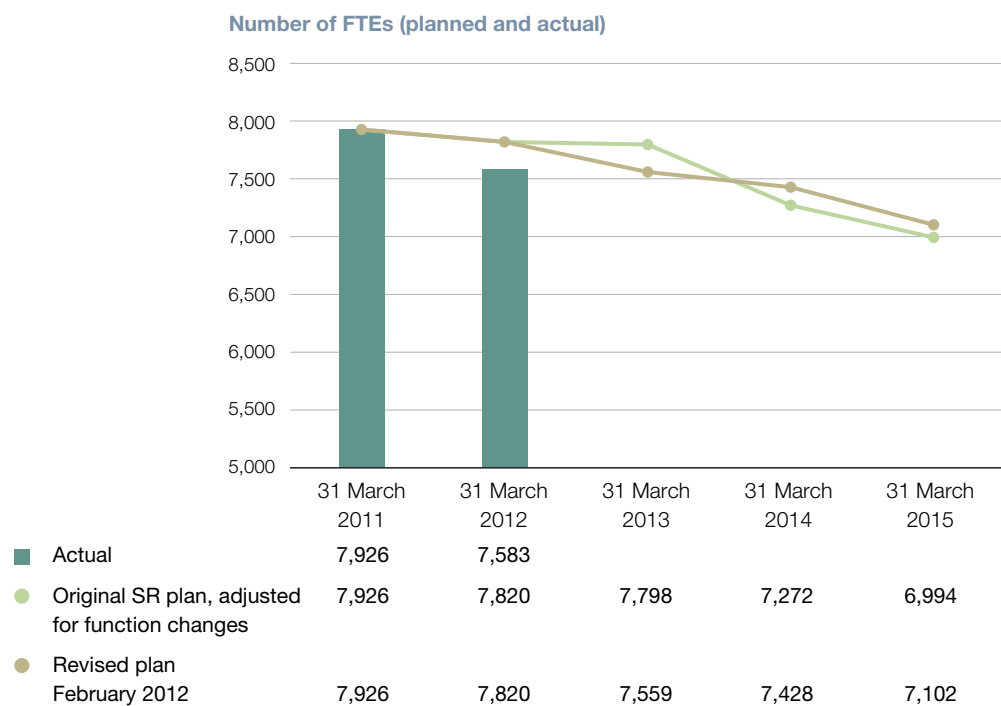
Workforce reductions 2011 to 2015

3.20 The Border Force aims to reduce its workforce by 10 per cent over the spending review period (around 850 full-time equivalent staff). During 2011-12, staffing declined by around 350 full-time equivalents, faster than planned (**Figure 11**). In early 2012, the Border Force lacked plans for allocating its remaining 500 or so planned staff reductions by March 2015. The Border Force is developing plans to resolve this, which risks the delivery of its savings target.

Figure 11

Border Force planned and actual full-time equivalent staff numbers, 2011 to 2015

During 2011-12, staff numbers reduced faster than planned



NOTES

1 SR = Spending review, original plan after adjustment for function changes.

2 Planned numbers may be subject to further change.

Source: National Audit Office analysis of Agency/Border Force workforce plans

Agency and Border Force performance

3.21 Since 2010, the Agency has tracked all its business plan commitments, and performance data are marshalled in a monthly ‘strategic performance pack’. The pack contains information on performance, productivity and finance, including summary data on cost reduction and other change initiatives, and runs to over 50 pages. Much of the data is a snapshot in time on the day it is gathered and is to signal in a broad sense which areas may be performance exceptions requiring board attention. In 2011-12, the Agency’s performance indicators reported that most areas have improved or been maintained:

- On permanent and temporary immigration casework, the Agency has maintained performance against speed of processing and quality targets.
- On asylum casework, the Agency has improved performance on speed and quality.
- On border controls, the Agency has maintained performance in processing passengers within target clearance times.
- Unit costs reduced for some activities, but increased for immigration casework due to the closure of the Workers’ Registration Scheme, which resulted in a smaller but more complex caseload.
- Performance has deteriorated on appeals and removals.

3.22 We found some problems with the performance framework and some of the underpinning data. At a strategic level an overall assessment of Agency and Border Force performance is difficult because of the lack of clear performance prioritisation. And despite the many indicators in the performance pack, there are areas of activity with no performance indicators and insufficient focus on outcomes.¹² Some existing indicators have unreliable or inaccurate information underpinning them:

- Several targets were altered mid-year; for example, the monthly target for ‘revenue protected on alcohol detected and transferred’ was reduced twice without explanation.
- Some data, for example on productivity rates, are inconsistent from month to month.
- Reporting on progress with cost reduction is unclear: achieving the cost reductions overall is routinely rated as ‘green’ and ‘on track’, even though key individual cost reduction measures, such as ICW, are rated as ‘amber green’ or ‘amber red’ and there are no actual numbers on cash-releasing savings achieved.
- Discrepancies exist between local and central records in the Border Force.¹³

¹² In the Comptroller and Auditor General’s report on *Immigration: The Points Based System – Student Route*, Session 2010–2012, HC 1827, National Audit Office, March 2012, we found the Agency did not have clear outcome measures to deal with people who had overstayed their visas. We recommended that the Agency should establish a performance framework with clear measures to reflect its priorities.

¹³ Independent Chief Inspector of the UK Border Agency, *An investigation into border security checks*, February 2012.

3.23 Both our recent student immigration study and the Chief Inspector's report into border security checks found a lack of transparency in how the Agency and Border Force measure and report some aspects of their performance. The Chief Inspector found in his report on border security that the language used in measuring and reporting performance is insufficiently clear and open to interpretation.¹⁴ The Agency and Border Force have both recognised shortcomings and to enable stronger scrutiny and a clearer assessment of performance, the Agency is now redesigning its performance framework and assurance processes, including changes to the way in which performance and risk are reported to the board and the robustness of performance information. In carrying forward this work, however, it is important that the Agency manages the risk that some activity areas may not be adequately monitored in future.

3.24 An example of this is how passenger clearance times are reported. The Border Force's stated performance target is to clear 95 per cent of passengers within published standards, which are within 25 minutes for European Economic Area (EEA) nationals and within 45 minutes for non-EEA nationals. According to Agency data, this target was achieved every month during 2011-12. The methodology is to take one queue measurement per hour, where practical, in a sample of ports. In his recent report on Heathrow Terminal 3,¹⁵ the Independent Chief Inspector highlighted shortcomings both with methodology and reporting, finding that measures were not taken frequently enough and were reported in a way that made no distinction between the different experiences of EEA and non-EEA passengers, particularly during peak arrivals periods. He concluded that "queue measuring techniques did not provide an accurate reflection of performance".

Effectiveness of leadership and communication

3.25 Achieving significant change in any organisation requires strong leadership and good communication. However, there have been well-documented problems within the Border Force. The Chief Inspector stated recently, "there is nothing I have discovered which could not have been identified and addressed by senior managers exercising proper oversight".¹⁶ The Home Affairs Select Committee has also criticised the Agency's management.

¹⁴ Independent Chief Inspector of the UK Border Agency, *An investigation into border security checks*, February 2012.

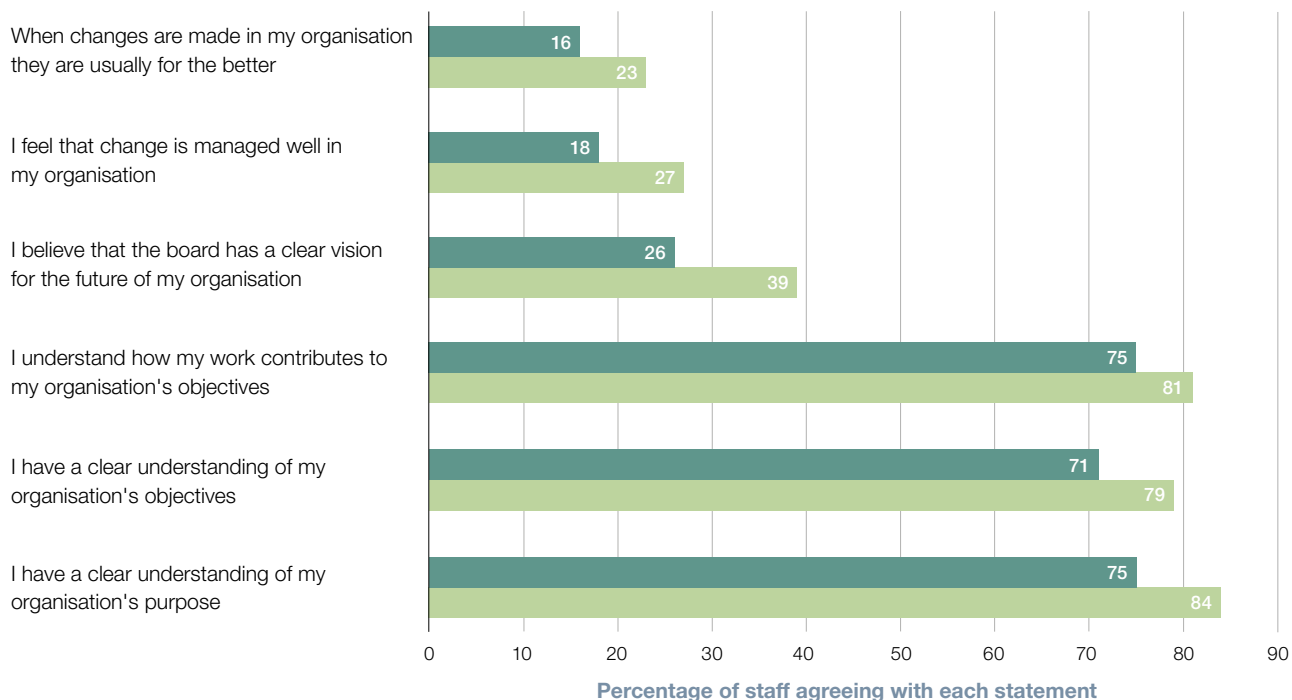
¹⁵ Independent Chief Inspector of Borders and Immigration, *Inspection of Border Control Operations at Terminal 3, Heathrow Airport, August – November 2011*, May 2012.

¹⁶ Independent Chief Inspector of the UK Border Agency, *An investigation into border security checks*, February 2012.

3.26 The most recent Civil Service People Survey shows that the majority of the Agency’s workforce agrees that they have a clear understanding of its purpose and objectives. However, just one-quarter believe that the Agency’s board has a clear vision for the future and fewer than one in five consider that change is managed well or believe that when changes are introduced, they are usually for the better. On all these indicators, the Agency is significantly below the civil service average (**Figure 12**), although its results are comparable with some other large operational departments such as the Department for Work and Pensions and HM Revenue & Customs. This suggests that the Agency needs to communicate more clearly with staff and build more engagement with its transformation plans. The Home Office’s 2012 Capability Action Plan¹⁷ identifies this as an area for improvement by the Agency.

Figure 12
Staff understanding of organisational objectives and vision

Agency results are significantly below results for the civil service as a whole



■ UKBA 2011
■ Civil Service overall 2011

NOTE

1 Base N = 9,351 (Agency); 299,410 (civil service overall).

Source: National Audit Office analysis of 2011 Civil Service People Survey results

17 Home Office, Capability Action Plan, February 2012.

Appendix One

Our audit approach

1 This report provides our independent opinion on whether the transformation and cost reduction plans of the UK Border Agency and Border Force represent value for money. To do this we reviewed:

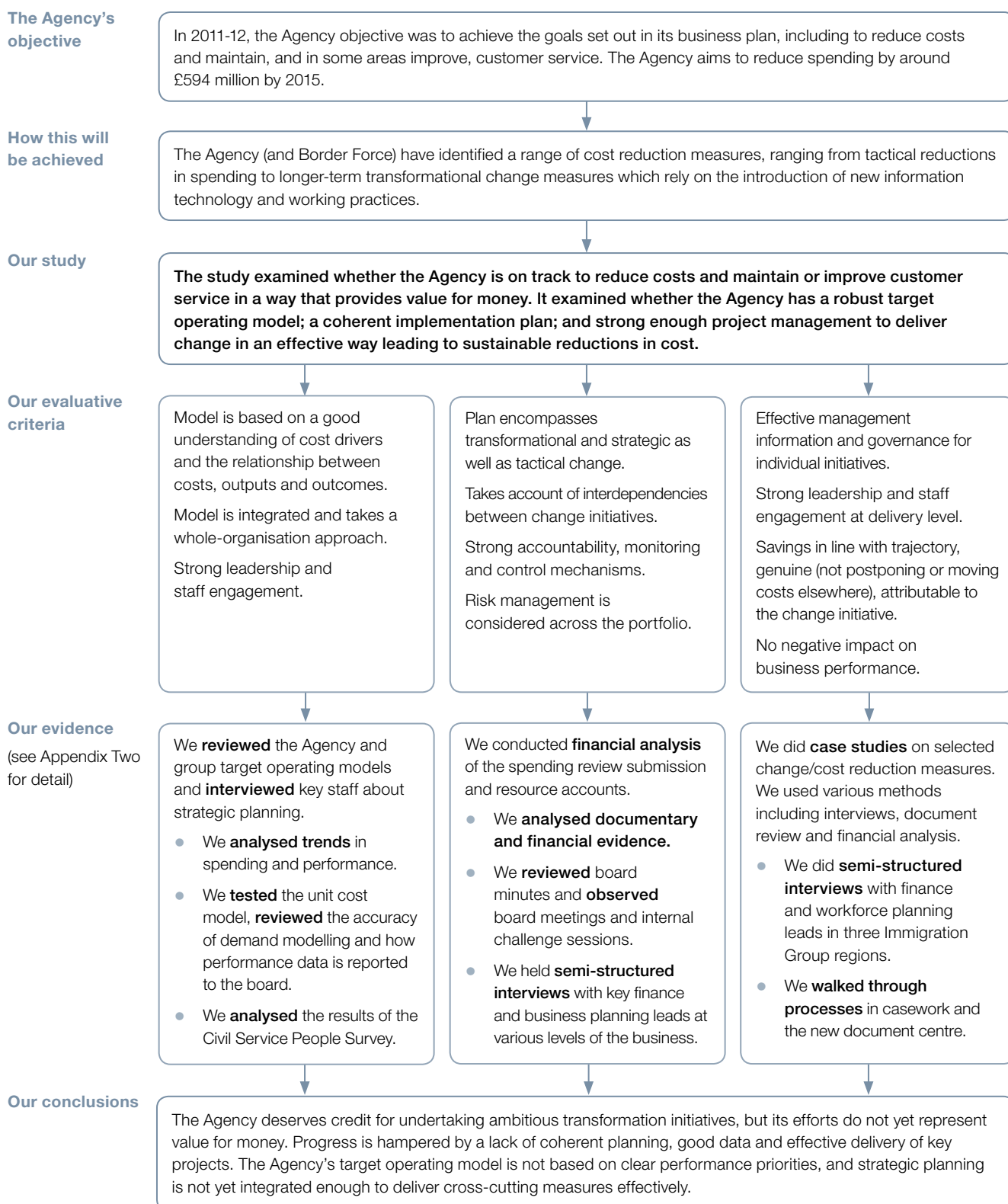
- the robustness of the Agency's target operating model;
- the coherence of the Agency's plans; and
- the effectiveness of the Agency's and Border Force's delivery.

2 We developed our own evaluative framework to assess value for money, which considers the optimal criteria for planning and implementing effective transformational change leading to sustainable reductions in cost. The framework draws on the National Audit Office's good practice guidance on delivering structured cost reduction.¹⁸

3 Our audit approach is summarised in **Figure 13**. Our evidence base is described in Appendix Two.

¹⁸ National Audit Office, *A Short Guide to Structured Cost Reduction*, June 2010.

Figure 13
Our audit approach



Appendix Two

Our evidence base

1 Our independent conclusions on whether the Agency and Border Force's transformation and cost reduction plans represent value for money were reached following analysis of the data we collected. We conducted fieldwork between November 2011 and May 2012.

2 We applied an evaluative framework which considers the optimal criteria for planning and implementing effective transformational change leading to sustainable reductions in cost. Our audit approach is outlined in Appendix One.

3 **We examined whether the Agency's plans were underpinned by a robust target operating model.**

- We **reviewed** the Agency and group-level target operating models against the National Audit Office's good practice guidance and **interviewed** key staff about strategic planning.
- We **analysed trends** in spending and performance using the resource accounts and performance data reported to the board in the monthly strategic performance pack.
- We **tested** the unit cost model for accuracy and completeness, and **reviewed** the accuracy of demand modelling. To supplement this analysis we also conducted **semi-structured interviews** with relevant staff.
- We **analysed** the Agency and overall Civil Service People Survey results on key measures of leadership and managing change.

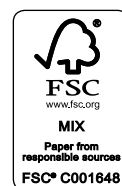
4 **We assessed whether the Agency had a coherent implementation plan.**

- We **conducted financial analysis** of the spending review submission and resource accounts.
- We **analysed documentary and financial evidence** including central business planning papers and annual planning returns from the business units.
- We **reviewed** minutes from the Value for Money Group and Corporate Services Board. To supplement this review, we also **observed** the corporate services board, and the strategic and priority performance review for the Immigration Group, which included an element of internal and external challenge.

- We conducted a programme of **semi-structured interviews** with key Agency staff including those responsible, at corporate level, for financial planning and monitoring, business planning, and workforce planning. We also conducted semi-structured interviews with resource directors in the Immigration Group, International Group and Border Force.

5 We examined whether the Agency had strong project management in place to deliver change in an effective way leading to sustainable reductions in cost.

- We carried out **case studies** on a number of cost reduction and change measures, to assess progress and impacts to date. The case studies were selected on the basis of materiality, risk and coverage across the Agency. They covered: the ICW IT programme, and casework transformation plans more widely; workforce modernisation measures in the Border Force; and cross-Agency initiatives in workforce planning and estates consolidation. The case studies included semi-structured interviews with key personnel and analysis of documentary and financial evidence including programme board minutes, where available; relevant business cases; and any relevant internal audit reports or post-implementation reviews.
- To understand better how central initiatives were being delivered at regional level, we visited three regions within the Immigration Group. We **reviewed regional financial and performance data** and relevant documents. We also conducted **semi-structured interviews** with regional finance and workforce planning leads. These visits included **walk-throughs** of casework processes and the Agency's new document centre.
- We **analysed** internal performance data in the monthly strategic performance pack. This including collating performance figures on productivity, casework processing, and other key measures between April 2011 and May 2012.



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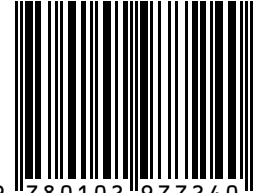
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