



National Audit Office

DEPARTMENTAL OVERVIEW

The performance of the
Home Office 2012-13

DECEMBER 2013

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Amyas Morse, is an Officer of the House of Commons and leads the NAO, which employs some 860 staff. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of almost £1.2 billion in 2012.

Contents

Introduction 4

Part One

About the Department 5

Part Two

Recent NAO work on the Department 20

Appendix One

The Home Office's sponsored bodies
at 1 April 2013 29

Appendix Two

Results of the Civil Service People
Survey 2012 30

Appendix Three

Publications by the NAO on the
Department since April 2012 32

Appendix Four

Cross-government reports of relevance to
the Department since April 2012 33

Introduction

Aim and scope of this briefing

- 1** The primary purpose of this report is to provide the Home Affairs Select Committee with a summary of the Home Office's activity and performance since September 2012, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).
- 2** Part One of the report focuses on the Home Office's activity over the past year. Part Two concentrates on NAO analyses of that activity.
- 3** The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

Part One

About the Department

The Department's responsibilities

1.1 The Home Office (the Department) oversees government policy and delivery on the following:

- countering terrorism in the UK;
- policing and crime reduction;
- borders and immigration; and
- identity and passports.

How the Department is organised

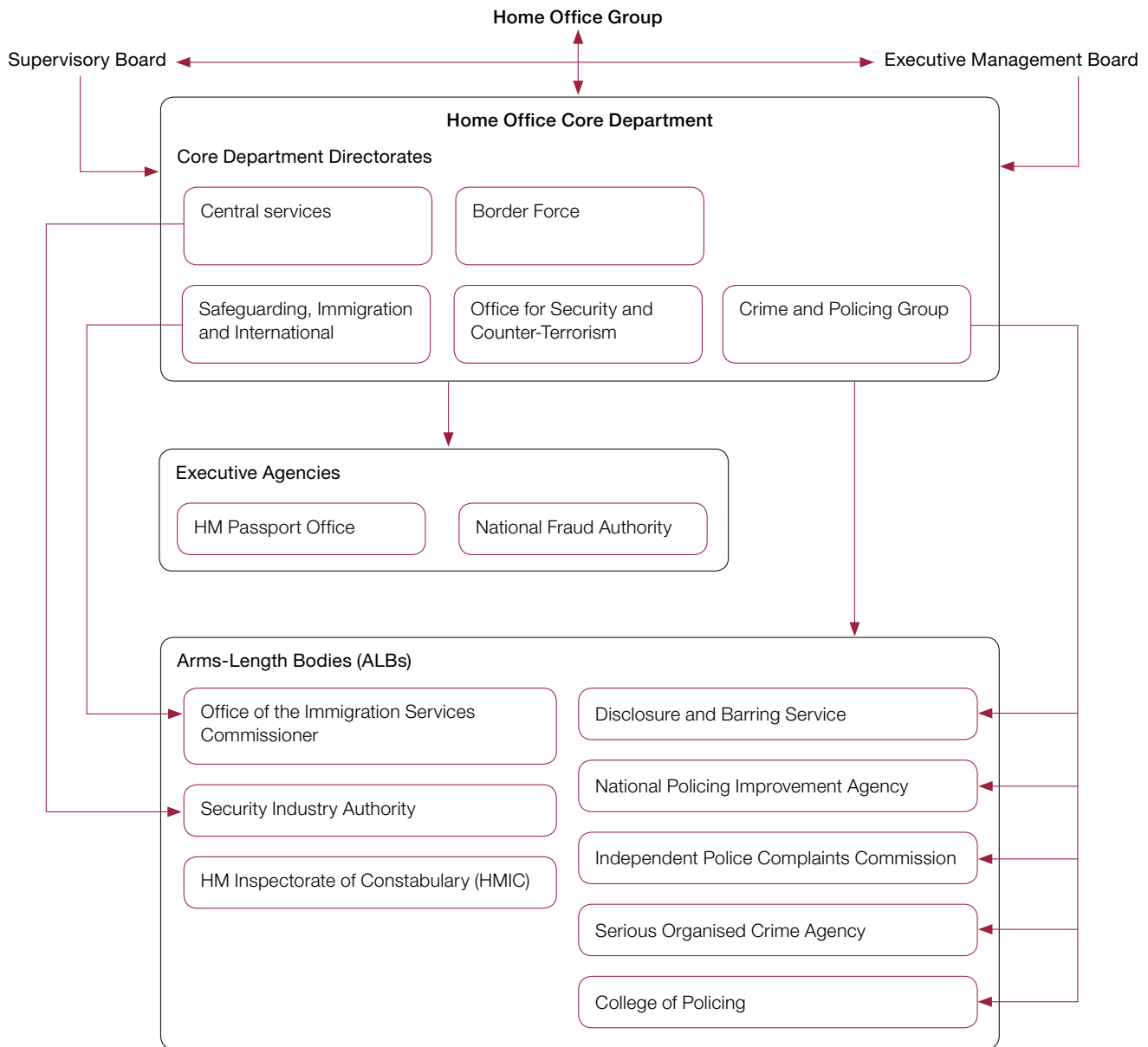
1.2 The Home Office is headed by the Home Secretary, who sets the agenda and goals for the Department and is supported by the Home Office Supervisory Board and the Executive Management Board chaired by the Permanent Secretary. **Figure 1** overleaf summarises the structure of the Department.

1.3 Two boards provide strategic oversight and executive leadership to the Home Office:

- **The Supervisory Board** consists of the five Home Office ministers, five members of the executive management including the Permanent Secretary, and four non-executive directors appointed by the Home Secretary. It sets strategic objectives and monitors the Department's performance against its business plan.
- **The Executive Management Board** is headed by the Permanent Secretary. The other board members are: all the directors general from across the Home Office; the director of communications; the Home Office's legal adviser; and two independent non-executive board members from the private sector. The board provides corporate strategic leadership and also oversees the day-to-day running of the Department.

Figure 1
How the Home Office Group¹ is organised

The Department comprises a mixture of policy making, operational delivery and large-volume transactional services



Notes

- 1 Figure includes consolidating bodies as at April 2013 but excludes the visa and enforcement directorates created after the abolition of the UK Border Agency.
- 2 College of Policing is a limited company owned by the Home Secretary.

1.4 The central Home Office was organised into five directorates in 2012-13 covering the following:

- safeguarding, immigration and international;
- the Border Force;
- corporate services;
- the Office of Security and Counter-Terrorism; and
- the Crime and Policing Group.

1.5 The abolition of the UK Border Agency has meant the creation of two new operational directorates within the Home Office from 1 April 2013. One directorate covers the visa and immigration element of the former UK Border Agency's business and the other the enforcement work.

1.6 To deliver its responsibilities, the Home Office works with partners including the police, intelligence agencies, local authorities, voluntary bodies, other departments and other countries' governments. It has two agencies:

- HM Passport Office
- National Fraud Authority

1.7 The UK Border Agency was split up and its operational command brought back into the Home Office from April 2013 following an announcement from the Home Secretary in March 2013. This was a response to the poor performance of the Agency and follows Border Force being transferred from the UK Border Agency to the core Department in March 2012.

1.8 Other arm's-length bodies have been opened, restructured or closed down. Key changes include:

- the creation of the National Crime Agency in October 2013; the abolition of the Serious Organised Crime Agency and the National Police Improvement Agency – SOCA (including the Child Exploitation and Online Protection Centre) and certain operation functions from the NPIA have been subsumed within the new Agency with the intention of rationalising and strengthening the national response to serious and organised crime; and
- the setting up of the Disclosure and Barring Service through merging the Criminal Records Bureau and Independent Safeguarding Authority.

1.9 The National Crime Agency is a non-ministerial department. A list of bodies currently sponsored by the Home Office is at Appendix One.

1.10 At 31 March 2013, the Home Office and its agencies employed 28,804 full-time equivalent staff. Its arm's-length bodies employed a further 6,393 staff, bringing the overall total for the Department to 35,197, compared to 35,392 last year. This figure does not include police and civilian staff working for individual police forces or the British Transport Police.

Where the Department spends its money

1.11 In 2012-13, the Home Office spent just over £12 billion (net) adjusted for the addition of police business rates and reductions in spend arising from machinery of government changes. The UK Border Agency was the largest Home Office agency in that year, spending some £1.6 billion. **Figure 2** shows the gross expenditure by the Home Office and its main spending bodies.

Analysis by expenditure type

1.12 The majority of the Home Office's spending is made in the form of grants. This amounted to £7.8 billion in 2012-13. The majority of grants relates to police operations (£5.5 billion) and Police Pensions (£1.2 billion). The Police Grant contributes to funding local police forces overseen, since November 2012, by local elected Police and Crime Commissioners (PCCs). These PCCs also draw their funding through local council tax.

Major projects

1.13 At 31 March 2013, the Home Office group was responsible for delivering major projects with a whole-life cost totalling £10.1 billion.¹ The four largest projects are:

- E-borders (now Border Systems Procurement) – implementation of an integrated Information and Communication Technology system to deliver greater border security (lifetime cost £1.3 billion);
- The UK Border Agency's COMPASS contract (ongoing provision of asylum accommodation and related services at a budgeted lifetime cost of £687 million);
- Disclosure and Barring Service Programme (a project to modernise and improve the disclosure and barring services with a lifetime cost of £710 million); and
- Transforming the Customer Experience in HM Passport Office (a project to modernise customer service, increase business resilience and replace the PASS system which supports passport applications, with a lifetime cost of £424 million).

¹ Home Office, *Business Plan 2012–2015*, available at: transparency.number10.gov.uk/

Figure 2

Where the Department spent its money in 2012-13



Note

¹ Excludes spending by non-departmental public bodies disclosed elsewhere in the diagram.

Recent and planned changes to the Department's spending

Spending Review 2010

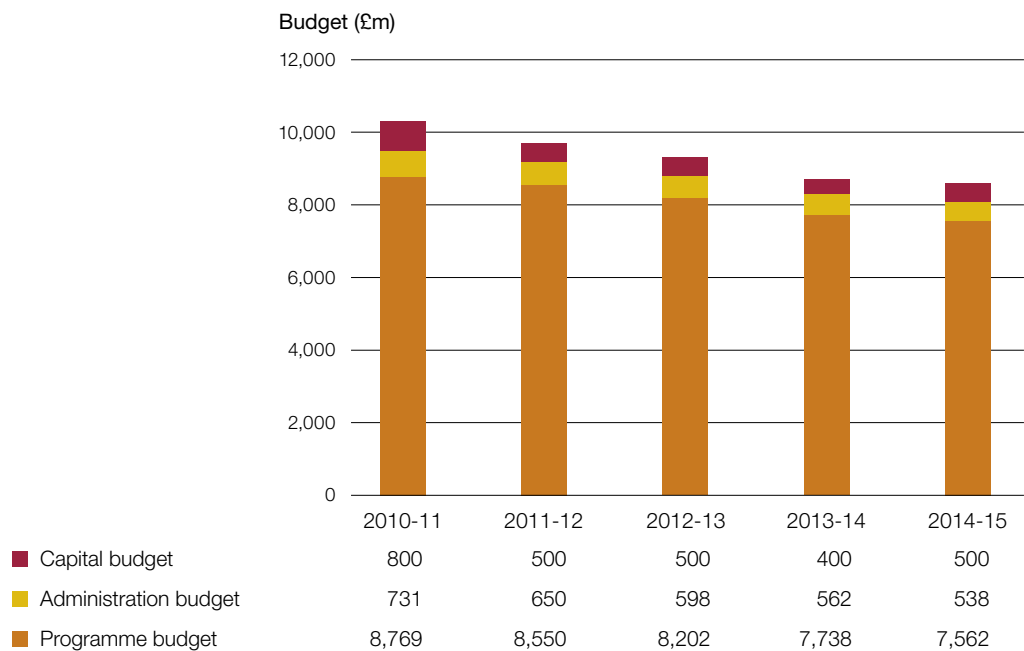
1.14 As part of the 2010 Spending Review (SR10) the Department was required to make resource savings of 23 per cent in real terms, based on the 2010-11 outturn, by 2014-15.² These limits are shown in **Figure 3**. The Department plans³ to achieve this cost reduction by:

- cutting spending on administration by 33 per cent (£538 million);
- reducing grants to the police in real terms by 20 per cent; and
- reducing other spending by 30 per cent.

1.15 SR10 also required a reduction in capital spending of 49 per cent also by 2014-15.

Figure 3

Impact of the spending reviews on the Department's budgets against the 2010-11 baseline (SR10)



Source: *Spending Review 2010*. Available at: www.direct.gov.uk/prod_consum_dg/groups/dg_digitalassets/@dg/@en/documents/digitalasset/dg_191696.pdf and *Spending Review 2013*, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/209036/spending-round-2013-complete.pdf

² HM Treasury, *Spending Review 2010*, Cm 7942, October 2010, p. 10.

³ Home Office, *Business Plan 2012-15*, May 2012. Available at: www.gov.uk/government/publications/home-office-business-plan-2012-to-2015-may-2012

Spending Review 2013

1.16 As part of the recent 2013 Spending Round the Department committed to further cuts in real terms of 6.1 per cent in resource spending between 2014-15⁴ and 2015-16 and a 17.6 per cent cut to the capital budget during the same period. The Department plans to meet this fresh target by:

- reducing the administration budget by 19.3 per cent (combined with the SR10 cuts the additional reduction will result in the Department having to halve its administration spend by 2015-16 from the 2010-11 baseline);
- achieving savings from efficiencies in IT, procurement and back-office functions;
- PCCs driving further savings through improving procurement and collaboration across operational areas and support services, on top of the progress already made;
- changing police terms and conditions of service;
- restructuring and transforming its borders and immigration operations, in light of the abolition of the UK Border Agency; and
- using other structural changes to deliver savings including the abolition of the National Police Improvement Agency with some of its functions absorbed into the new National Crime Agency – this one change has an estimated saving of £50 million attached to it.

Policy and delivery: major developments in 2012-13

1.17 The Department has undergone several significant organisational changes this year. These changes include:

- **Introduction of PCCs:** Police authorities were replaced by elected PCCs in 41 police force areas across England and Wales. PCCs are democratically accountable locally for policing and crime reduction. Their creation is reflected in a new accountability system statement for the Home Office which sets out how PCCs' accountabilities interact with those of the Department's Accounting Officer.
- **National Police Improvement Agency closure:** The National Police Improvement Agency was closed in 2013. Its functions were transferred to the Serious Organised Crime Agency (and on to the National Crime Agency), the College of Policing and the core Department, and a lead police force.
- **Core Department delivering services:** In 2012-13, the core Department moved from being a (predominantly) administrative entity with an oversight role to one with a significant range of direct operational delivery responsibilities. This change flows from the creation of the Border Force as a directorate of the Home Office in March 2012 and the abolition of the UK Border Agency in April 2013. The UK Border Agency's work on visas and immigration and enforcement are now also delivery operations directly controlled by the Home Office.

⁴ HM Treasury, *Spending Round 2013*, Cm 8639, June 2013, p. 10.

- **Permanent Secretary position:** The Department has had three Permanent Secretaries in the last 18 months. In addition, several changes in the Executive Management Board are also under way including the creation of a new Chief Operating Officer post.
- **Olympics:** Contributing to the delivery of a safe and secure Olympics was a key priority for the Home Office in 2012-13 and significant resource was directed towards achieving this. The main areas of focus were policing and counter-terrorism, and managing increased demand at the border.

The Department's digital strategy

1.18 By the end of 2012, each government department was required to produce a digital strategy, an indication of the central part that digital services now play in government business. In this section, we consider briefly the main elements of the Department's digital strategy.

1.19 The Home Office published its strategy in December 2012.⁵ It sets out how the Home Office planned to be a department where:

- policy will be created through ongoing engagement with citizens;
- published information will be organised around the needs of the user; and
- all transactions will be transformed to meet the highest standards for digital services.

1.20 The strategy focuses on six themes:

- leadership and culture change;
- publishing;
- services;
- engagement and open policy making;
- IT; and
- funding.

⁵ Home Office, *Digital Strategy*, December 2012. Available at: www.gov.uk/government/publications/home-office-digital-strategy

Progress to date

1.21 Implementation of the Home Office's *Digital Strategy* began with the development of three 'exemplars' – high profile, high volume public services which will be designed to meet a new digital service standard currently being developed by the Government Digital Service. These three exemplar services are:

- applications for visit visas (UK Border Agency – now Home Office);
- criminal record checks Disclosure and Barring Service; and
- e-Gates at UK borders (Border Force).

1.22 All of this will change the way the Home Office works, the way it interacts with the public and its customers, and the systems upon which it depends. Each project and its current status is summarised in **Figure 4**.

1.23 Other projects under way include an update to the passport application process operated by HM Passport Office (formerly the Identity and Passport Service). The Home Office is also working with the Government Digital Service ID Assurance Programme as a key stakeholder in identity security.

Figure 4
Home Office exemplar digital projects

Project	Description	Key dates and progress
Applications for visit visas	Individuals needing a visa to visit the UK will be able to apply using a simple online service.	UK Border Agency has established a dedicated website Visa4UK to enable individuals to apply for visas, make payments and arrange an appointment for an interview. The Home Office is working on further enhancements to its IT systems in this business area.
Criminal record checks	Enabling customers to get a criminal record check simply and quickly online.	Between 30 November 2012 and 30 November 2013, the Disclosure and Barring Service reported that just over 1.65 million certificates were issued via its electronic applications route.
e-Gates and UK Borders	Allow citizens with chip passports from European Economic Area plus registered travellers from other nations (US, Canada, Japan, Australia and New Zealand) to come through digital e-Gates, avoiding manual border guard checks.	Roll-out began in 2009, bringing the total of automated gates to 10. Further roll-outs were implemented so that 63 automated gates are now in operation. Some 31 per cent of eligible passengers now use these gates. The Home Office Target is 50 per cent.

Source: Home Office

Future digital projects

1.24 The Home Office is restructuring its corporate services and the role of chief digital officer is currently vacant. Once filled, it is envisaged that the chief digital officer will work with the results of reviews of all Home Office major programmes and projects which the Accounting Officer has recently commissioned.

Independent assessments of the Department's performance

1.25 In Part Two of this report, we look at the NAO's assessment of the Department's performance in 2012-13. Alongside our work and that of the Home Affairs Select Committee, however, a number of other bodies regularly produce independent analyses of how the Department is doing and of the challenges it faces. In this section, we look at some of the most notable of these reports published in the last year.

Her Majesty's Inspectorate of Constabulary

1.26 In July 2013 Her Majesty's Inspectorate of Constabulary (HMIC) produced the report *Policing in Austerity: Rising to the Challenge*.⁶ This report concluded that, overall, the response of police forces to the financial challenge of the SR2010 had been good. Forces were required to save £2.42 billion over the spending review period, a reduction of 17 per cent on the 2010-11 baseline. HMIC found that forces had plans in place to save £2.31 billion of the target (or 95 per cent) and concluded that the residual budget gap (of £116 million) was likely to be closed by the end of the spending review period.

1.27 HMIC reported that most forces had made substantial changes to the way they work, while keeping an increasing proportion of the workforce on the front line. These changes came in the context of continued falls in most categories of crime. HMIC did note, however, that some forces had made savings by broadening the remit of neighbourhood policing teams, to include tasks previously carried out by response officers, or investigators. HMIC cautioned that these changes may have a detrimental effect on the amount of prevention work and potentially impair the level of service the public receive from the police.

⁶ HM Inspectorate of Constabulary, *Policing in Austerity: Rising to the Challenge*. Available at: www.hmic.gov.uk/publication/policing-in-austerity-rising-to-the-challenge/

Independent Chief Inspector of Borders and Immigration

1.28 The Independent Chief Inspector of Borders and Immigration produced several reports during 2012-13 about the backlog of immigration applications being processed by the UK Border Agency (which was subsequently transferred to the Home Office from April 2013). In *An inspection of the UK Border Agency's handling of legacy asylum and migration cases*, a number of prominent organisational failings were identified.⁷ These included:

“... a lack of effective strategic oversight and engagement at senior levels, an inadequate resourcing model, poor quality management information concerning the remaining caseload and ineffective handover processes.”

1.29 Furthermore, archived asylum and immigration cases had not been subject to regular and routine security checks and cases had been archived without checks having been undertaken to trace applicants.

1.30 A later report on marriage applications (24 January 2013) found:

“... a backlog of 14,000 requests from applicants for the UK Border Agency to re-consider decisions to refuse them further leave to remain and, a further 2,100 cases where applicants were still waiting for an initial decision on their application for further leave to remain – some dating back to 2003.”⁸

1.31 These reports highlight continuing problems with the former UK Border Agency and at times directly contradict public statements made by the Agency to the Home Affairs Select Committee. For example, the Agency had not informed the Committee about 33,000 asylum legacy cases being worked on by the Case Assurance and Audit Unit and supplied the Committee with incorrect information about the programme of checks.

The Parliamentary and Health Service Ombudsman

1.32 The Parliamentary and Health Services Ombudsman (PHSO) acts as the last resort for complaints about public services which means that they have a unique insight into the public's experience of public services. The annual statement from PHSO showed that the number of complaints made about the Home Office increased by 84 per cent to 1,417 in 2012, driven by a 97 per cent increase in complaints about the UK Border Agency. Eighty per cent of complaints received about the Home Office related to the UK Border Agency and even though the proportion of complaints upheld by the Ombudsman fell slightly, from 93 to 92 per cent, it remained high in comparison to other departments.

⁷ Independent Chief Inspector of Borders and Immigration, *An inspection of the UK Border Agency's handling of legacy asylum and migration cases*, 22 November 2012, available at: icinspector.independent.gov.uk/wp-content/uploads/2012/11/UK-Border-Agencys-handling-of-legacy-asylum-and-migration-cases-22.11.2012.pdf

⁸ Independent Chief Inspector of Borders and Immigration, *An inspection of applications to enter, remain and settle in the UK on the basis of marriage and civil partnerships*, 24 January 2013, available at: icinspector.independent.gov.uk/wp-content/uploads/2013/01/marriage-and-civil-partnerships-FINAL-PDF.pdf

1.33 Complaints generally related to delays in delivering services to individuals, poor quality decision making and poor communication, resulting in individuals facing prolonged uncertainty and hardship. PHSO concluded that the UK Border Agency was high risk for compliance purposes, due to previous compliance performance and their general perception of dealing with them.

The Information Commissioner's Office

1.34 The Information Commissioner's Office has announced that the Home Office and two other public authorities are being monitored following concerns over the timeliness of their responses to freedom of information requests.

Staff attitudes

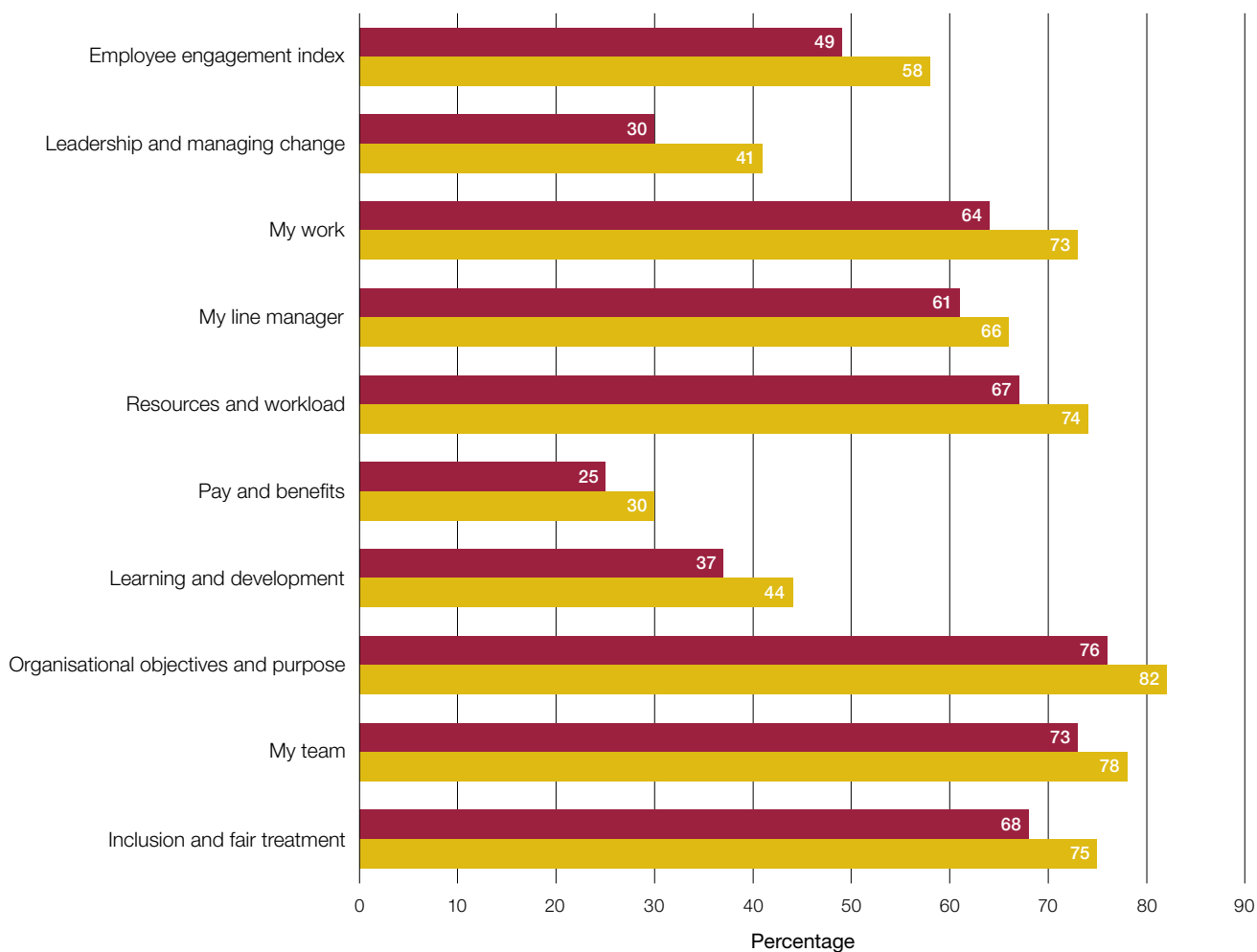
1.35 The government has conducted its Civil Service People Survey annually for the past four years. The most recent survey was carried out during October 2012, with detailed results available from February 2013. Continuing our practice in past briefings, we summarise here the views of the Department's staff on a number of key issues, and compare them to benchmarks for the civil service as a whole. Detailed results for all departments are reproduced at Appendix Two.

1.36 The Home Office scored below the Civil Service People's Survey benchmark results across all the aspects of leadership and management that contribute to how engaged staff feel with the business in which they work (see **Figure 5**). There was significant variation between results from the different areas of the business, with the overall employee engagement index (combining the scores from the relevant questions) ranging from 36 per cent for Border Force and 47 per cent for UK Border Agency to 61 per cent for the Criminal Records Bureau, 55 per cent for HM Passport Office and 57 per cent for the core Home Office.

1.37 The Home Office scored poorly in the leadership and managing change category, averaging just 30 per cent positive responses across the group (dropping to 17 per cent for Border Force staff). Given the significant changes currently occurring within the Home Office group this is of particular relevance. **Figure 6** on page 18 illustrates the detailed responses to the questions which fed into this category. Notably, only 21 per cent of respondents agreed that change was managed well at the Home Office; only 18 per cent believed changes at the organisation were generally for the better; and 26 per cent had confidence in the decisions made by senior managers.

Figure 5

Home Office staff survey results showing percentage positive results for engagement compared to civil service benchmark (showing relevant questions and index)



■ Home Office¹
 ■ Benchmark²

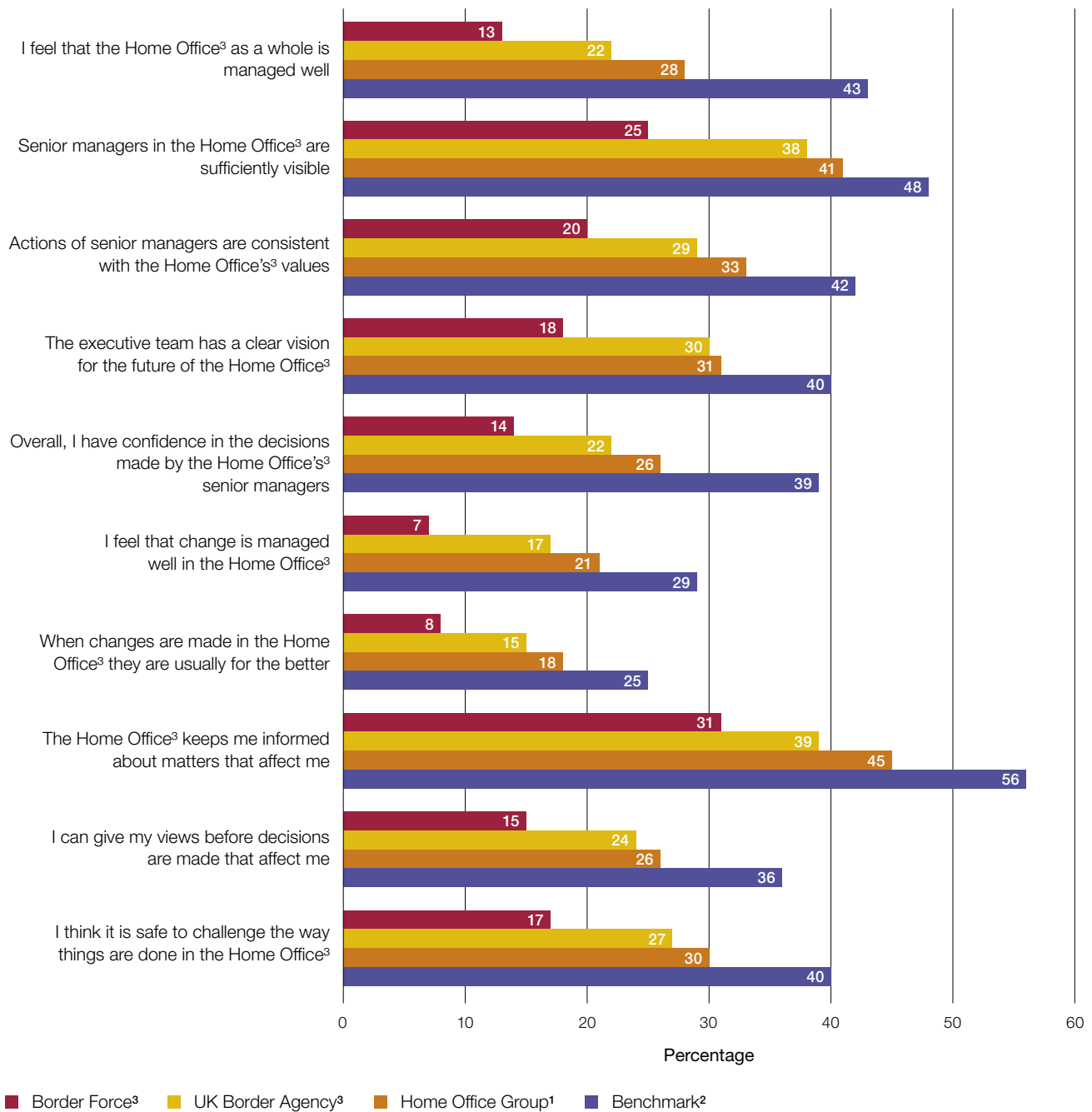
Notes

- 1 Home Office data available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/143630/ho-corporate-survey-results.pdf
- 2 Benchmark data available at: resources.civilservice.gov.uk/wp-content/uploads/2013/01/csps2012_benchmark_final.pdf

Source: www.gov.uk/government/publications/staff-survey-results-2012

Figure 6

Home Office staff survey results showing percentage positive results compared to civil service benchmark, showing breakdown in the leadership and managing change category



Notes

- 1 Home Office data: www.gov.uk/government/uploads/system/uploads/attachment_data/file/143630/ho-corporate-survey-results.pdf
- 2 Benchmark data: resources.civilservice.gov.uk/wp-content/uploads/2013/01/csps2012_benchmark_final.pdf
- 3 Component data: www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2012

Major developments for the year ahead

1.38 The Home Office generally is undergoing a significant transformation programme aiming to improve both effectiveness and efficiency particularly in light of the continuing spending pressures referred to in this report. Senior management structures now reflect the significant delivery responsibilities in relation to asylum and immigration which are now the direct responsibility of the Home Office. New leadership will be appointed to run the visa and enforcement businesses. Alongside these changes a new Chief Operating Officer role has been created to lead the modernisation of the Home Office's corporate services including IT, finance and performance management processes.

1.39 The National Crime Agency is now operational and is leading, supporting and coordinating the law enforcement response to serious and organised crime. The response focuses, amongst other things, on organised crime, cyber and economic crime, child sexual exploitation, and organised crime at, and crossing, the UK's borders. The new Agency is focusing on cutting serious and organised crime: delivering the strategic priorities set for it by the Home Secretary and driving the operational response to the new Serious and Organised Crime Strategy.

1.40 PCCs will be in place for their first full financial year having set budgets for the first time for the 2013-14 year. The Home Office has developed a revised accountability structure to reflect the impacts of these new arrangements. The Home Office is keeping these accountability arrangements under review to ensure that accountabilities operate as intended.

Part Two

Recent NAO work on the Department

Our audit of the Department's accounts

2.1 The NAO's financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the trueness and fairness of the public accounts. In the course of these audits, the NAO learns a great deal about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular issues. In this section, we look at the outcome of our most recent financial audit on the Home Office and its bodies.

Audit opinions

2.2 The C&AG issued an unqualified opinion on the 2012-13 Home Office departmental group account. The Home Office continued to improve its consolidation process and was able to lay its accounts on 4 July 2013, a week earlier than was achieved for the 2011-12 accounts.

2.3 To date, there have been no qualifications for 2012-13 of bodies within the departmental boundary. However, the accounts of some bodies, including the College of Policing, have not yet been certified.

Significant issues identified in governance statements within the group

2.4 The key messages identified in governance statements from across the Home Office Group included the following:

- The Olympic Games were safe and secure, however there was a failure to deliver sufficient security-cleared staff by G4S.
- The UK Border Agency encountered a number of ongoing major performance issues and it was announced that the Agency's functions would be brought into the core Department from April 2013.
- There were long queues at Border Control during the first part of the year, and the Border Force was still not self-sufficient in terms of staffing.

- Some £9 million of income expected by UK Border Agency from the EU was not received due to incomplete records held by some of the grant receiving bodies. Expenditure was incurred on the basis that income would be available from relevant EU grant streams. But our audit work on the claims to the EU found that, in many cases, insufficient documentation had been maintained to demonstrate that expenditure being claimed for was, in fact, eligible. Initial audits of projects required under the EU funding scheme had not been completed by the UK Border Agency or the Home Office on a timely basis. The problems in securing sufficient evidence in time to enable us to efficiently discharge our duties in this discretionary role, including having to reallocate staff, led to our resigning from our appointment as Certifying Authority for the Funds. New arrangements are now in place to provide the EU with the required audit assurance.

Key issues in the Home Office 2012-13 accounts

Departmental underspending

2.5 The Statement of Parliamentary Supply details what the Home Office has spent of the monies voted to it by Parliament in the form of the departmental expenditure limit (DEL) and annual managed expenditure (AME). The Home Office has consistently underspent against these control totals as shown in **Figure 7**.

Figure 7

Actual underspending against Parliamentary control totals

Area	2010-11 (£000s)			2011-12 (£000s)			2012-13 (£000s)		
	Voted	Outturn	Under-spend	Voted	Outturn	Under-spend	Voted	Outturn	Under-spend
DEL – Resource	8,878,736	8,752,880	125,856	9,102,956	8,835,170	267,786	8,577,406	8,303,748	273,658
DEL – Capital	Capital not analysed separately for 2010-11			507,756	494,382	13,374	461,467	442,109	19,358
AME – Resource	1,049,051	891,858	157,193	1,202,545	1,060,092	142,453	1,414,118	1,260,214	153,904
Non-budget	1,134,188	1,085,628	48,560	0	0	0	0	0	0
Total			331,609			423,613			446,920

Source: Home Office Departmental Accounts

Remuneration reports

2.6 Remuneration reports provide details of pay and bonuses paid to senior staff within organisations. Remuneration reports across the Home Office Group in 2012-13 show the following for members of the various senior leadership teams:

- Only one individual was paid more than £200,000 in 2012-13.
- Eighteen individuals received bonuses, but no one received a bonus of more than £10,000.
- Thirty-five individuals held senior leadership posts with annual pay in excess of £100,000.
- Twelve individuals held posts with annual pay in excess of £140,000.
- Thirty-six non-executive directors operated on the various boards overseeing the work of organisations within the Home Office Group.
- Twenty-seven non-executive directors were on a pay scale of £10,000 to £25,000 with two receiving more than £25,000 for their work.

2.7 Further analysis for senior staff across the Home Office Group is shown in **Figure 8**. These figures may differ from information published as part of the Government's commitment to publish organograms and senior salary information for Departments, Executive Agencies and Executive NDPBs due to different methods of calculation.

Figure 8

Analysis of senior leadership pay 2012-13

Pay bands ¹	HO	UKBA	HMPO	SOCA	IPCC	NPIA	DBS	OISC	NFA	SIA
Under £100,000		6	7	3	3		2	1	5	4
£101,000 to £120,000	1	6						1	2	
£121,000 to £140,000	6	3			1	2	1			1
£141,000 to £160,000	4			2		3				
£161,000 to £180,000		1								
£181,000 to £200,000	1									
Over £200,000	1									
Total	13	16	7	5	4	5	3	2	7	5

Note

¹ HO = Home Office, UKBA = UK Border Agency, HMPO = HM Passport Office, SOCA = Serious Organised Crime Agency, IPCC = Independent Police Complaints Commission, NPIA = National Policing Improvement Agency, DBS = Disclosure and Barring Service, OISC = Office of the Immigration Services Commissioner, NFA = National Fraud Authority, SIA = Security Industry Authority.

Impairments

2.8 Impairments reflect a permanent reduction in the value of an asset. This can happen as a result of normal use or it can arise because assets no longer answer the service need for which they were intended. The latter case would refer to items such as computer systems developed to meet an operational need that failed to meet the need or are no longer relevant because the need has changed. Impairments might also arise where buildings have been developed that are no longer needed because the service has ceased, or been altered or been relocated elsewhere. International Accounting Standard 36 defines how this concept should be applied in producing financial statements and HM Treasury's Financial Reporting Manual how these concepts need to be applied in producing departmental accounts.

2.9 Overall, the Home Office Group Accounts show a total asset value of £1.3 billion at 31 March 2013. The total impairments applied to those assets at 31 March 2013 was just over £21 million.⁹ These related to the following business areas:

- Crime and Policing Group – £16 million
- UK Border Agency – £1.6 million
- HM Passport Office – £2.2 million
- Central Home Office – £1.8 million

2.10 Of these impairments, the largest category related to buildings (£15 million) and assets under construction (£3 million). The most significant elements in each category were:

- Serious Organised Crime Agency buildings were revalued downwards by £9.5 million based on valuations by independent surveyors.
- National Policing Improvement Agency assets under construction were impaired by £1.6 million to remove capitalised project costs from several years ago which are no longer expected to contribute to a finished asset.

2.11 The Home Office Group accounts also reflect, in Note 30, the issues arising from the termination for cause by the Home Office of the e-Borders contract with Raytheon Systems Limited, a subsidiary of Raytheon Company, on 22 July 2010. The impairment of some £208 million in total arising from this termination was accounted for in the relevant accounts for 2010-11. Note 30 goes on to record that Raytheon Systems Limited is in dispute with the Home Office over the contract termination and that the dispute is now in arbitration. The 2012-13 accounts record the existence of this dispute as a contingent liability (as was the case in the 2011-12 accounts) with no quantification of the liability being possible due to the inherent uncertainty surrounding this process.

⁹ See Note 16 to the Home Office, Annual Report and Accounts 2012-13, available at: www.official-documents.gov.uk/document/hc1314/hc00/0021/0021.pdf

2.12 The impact of any settlement of the arbitration will be considered in our audit at the appropriate time. The C&AG referred to the issue as an emphasis of matter in his opinion on the 2012-13 accounts.

Our audits of the Department's effectiveness and value for money

2.13 The NAO's work to test the effectiveness and value for money of government spending in 2012-13 included a number of projects which focused on the Home Office. The principal findings of these, and in some cases the actions that have been taken since, are summarised below.

Police procurement

2.14 Our report on police procurement published in March 2013 concluded that the Home Office was not able to assure the taxpayer that the £1.7 billion the police service spends on non-ICT goods and services is value for money.¹⁰

2.15 We found that:

- the £2.1 billion reduction in central government funding for the police service would affect forces differently, with some having to make much larger savings than others;
- procurement activity at force level had grown organically, with forces historically procuring most goods and services independently;
- forces had not agreed common specifications for many types of goods and services, which reduced their ability to make savings by delaying or preventing collaborative purchasing arrangements being established;
- there was a tension between the Department's centrally directed strategies to increase collaboration and national procurement, and its reforms to increase local autonomy and accountability for police forces; and
- there was no comprehensive data on police procurement. The Department's attempts to collect data had met with limited success, reducing its ability to improve value for money nationally.

2.16 Based on our report and additional evidence from the Department, the Public Accounts Committee made further recommendations in relation to incentivising police forces to use the central procurement arrangements being developed, providing more and better comparative information to the public and encouraging more small and medium-sized enterprises to become suppliers.

¹⁰ Comptroller and Auditor General, *Police Procurement*, Session 2012-13, HC 1046, National Audit Office, March 2013. Available at: www.nao.org.uk/report/police-procurement-2/

Border Force

2.17 Our report *Border Force: securing the border*¹¹ found that the Border Force had met some important objectives, such as implementing full passenger checks and reducing queuing times. However, these successes did not cover all of its responsibilities and we concluded that the Border Force now needed to show that it could perform effectively on a sustained basis across the full range of its activities in order to provide value for money. The Department needs to fund it to do so.

2.18 Our detailed findings included:

- Home Office oversight of frontline border security operations had improved and the new operating mandate had ensured greater levels of compliance.
- Through prioritising and deploying additional resources, the Border Force had improved queuing times during 2012-13.
- The Border Force had successfully responded to the prioritisation of full passenger checks and had reduced queuing times. However, it had not fulfilled all of its responsibilities simultaneously. In particular, the time spent undertaking other important duties such as customs controls had reduced.
- Sustained improvements in the Border Force's performance would depend on strengthening the relationship between management and the workforce, which lacked a sense of organisational identity and was unclear about its purpose.
- Automatic processing of passengers had the potential to allow frontline staff to be used more efficiently, but the Border Force was only then planning how to locate automated gates strategically.
- There were gaps in the Border Force's information about people and goods entering the country. Although it conducted checks on all passengers arriving by scheduled services, the Border Force did not receive advance passenger information about more than a third of passengers arriving in the UK.

Private sector partnering in the police service

2.19 In July 2013 the NAO and HM Inspectorate of Constabulary published a joint practical guide to private sector partnering in the police service.¹² The Guide is based on good practice and areas of learning identified in the police forces visited during the fieldwork supporting the guide. It was informed by our wider expertise in policing, commissioning and private finance.

¹¹ Comptroller and Auditor General, *Border Force: securing the border*, Session 2013-14, HC 540, National Audit Office, September 2013, available at: www.nao.org.uk/report/border-force-securing-uk-border/

¹² HM Inspectorate of Constabulary and National Audit Office, *Private sector partnering in the police service, a practical guide*, July 2013, available at: www.nao.org.uk/wp-content/uploads/2013/07/10127_Private-sector-partnering-in-the-police-service_NEW.pdf

2.20 We reviewed a selection of private sector partnerships already in place in forces, focusing on three delivery models:

- **Major business partnering**, where the force contracts with a private sector partner to provide a significant area of policing (for example, by outsourcing business support services). These contracts are typically high value and medium term (up to ten years).
- **Custody partnering**, where the force contracts with a private sector partner to provide either services (for example, detainee management, catering and cleaning), buildings or both, including through Private Finance Initiative (PFI) contracts. PFI contracts are typically long term (between 25 and 30 years).
- **Consultancy support**, where forces purchase skills and expertise to help a transformation and can include contractually committed levels of savings. Contracts are short term (typically one to twelve months).

2.21 We chose these types of delivery models because we judged them to have high potential for the realisation of savings and supporting transformation. We also viewed them as the most likely arrangements to provide useful and transferable lessons for other stakeholders.

2.22 We identified and describe in the Guide four main areas where useful lessons had already been learned by forces from their partnering arrangements. The lesson themes are:

- identifying strategy, objectives and service outcomes;
- sourcing and tender evaluation;
- governance, leadership and stakeholder management; and
- contract and performance management.

2.23 We discussed with forces the outcomes they had achieved through their partnerships. The main outcomes that forces reported to us included the following:

- **Financial outcomes.** Forces gave us evidence of savings and reduced running costs in contracted areas and also described positive impacts on the retained functions of the force. This was not always the case in the early stages of contracts, where some forces had prioritised service improvements and had not quantified savings.
- **Performance outcomes.** Forces cited several areas where performance had improved because of what they had learned from their private sector partners. Some forces noted that an early focus on quantitative performance information may not have driven the right behaviours and they needed to adapt performance measures to make such improvements.

- **Improved professionalism and working environments.** Private sector expertise improved the professionalism of many roles, particularly custody. Managers and staff in all custody arrangements we visited said that the facilities exceeded their expectations.
- **Better data and business intelligence leading to improved force performance.** Several forces said that they had improved how they captured, recorded and shared knowledge across the force. This better quality management information helped them to improve performance elsewhere in the organisation.
- **Unanticipated delays or increases in costs.** Forces said that engaging with potential partners sometimes exposed their lack of business understanding. For example, there was no performance monitoring information in some service areas. This meant that bidders would have to undertake research to fully understand force requirements. Dealing with these issues could therefore cause unanticipated delays in the sourcing phase of the procurement.

2.24 We identified – through fieldwork interviews and engaging with stakeholders – a number of common challenges that forces, PCCs and the private sector face. With increasing collaboration between forces, other public sector organisations, and private sector providers, the context in which forces operate and engage with others is becoming more complex. This can contribute to uncertainty in these relationships, with potential impacts on costs and delivery. Focusing on the following two areas could give the service opportunities for making improvements:

- **Improving private sector engagement.** This could help forces and PCCs to better understand what outcomes partnership can offer, while also improving potential partners' awareness of forces' requirements. Forces can use experience from mature partnerships to help explore the issues involved in partnering. The College of Policing could take a role in coordinating this engagement.
- **Building the sector's commercial skills and capabilities.** Both forces and private sector partners said they wanted to help the policing sector become more of an 'intelligent customer'.

2.25 Forces have reported to us that they found the Guide useful and are actively applying its learning.

The Department in a cross-government context

2.26 In addition to our work on individual departments, the NAO increasingly looks at performance across government, in order to understand how different departments measure up on important issues. Of the cross-government reports we have published in the last year, only one included substantial coverage of the Home Office namely our, *Early action: landscape review*.¹³

2.27 Early action involves the provision of public services to address causes rather than symptoms to prevent cases reaching a state where costly intervention is required (for example acute healthcare). The Home Office featured in the report through its work with the Ministry of Justice on youth crime prevention along with other relevant departments.

2.28 Among the report's recommendations were that government should:

- consider how early action could reduce long-term service demand; and
- examine current early action projects in a rigorous and consistent way, using best practice in cost-benefit analysis and the attribution of outcomes.

NAO work in progress

2.29 The following work by the NAO relating to the Home Office is currently under way:

- **Landscape review of police accountability:** this review will examine recent changes to financial accountability arrangements for police forces in England and Wales. It will address the roles and responsibilities of central and local bodies and explore local practices in light of recent reforms. The review will also address how data and information is used to provide assurance over the value for money of police expenditure.
- **Investigation into the Home Office COMPASS contracts:** this investigation will examine the management and performance of the Home Office's six regional Commercial and Operational Managers Procuring Asylum Support (COMPASS) contracts with G4S, Serco and Clearel. These contracts became operational during 2012 and provide transport and accommodation for asylum seekers.

¹³ Comptroller and Auditor General, *Early action: landscape review*, Session 2012-13, HC 683, National Audit Office, January 2013, available at: www.nao.org.uk/report/early-action-landscape-review/

Appendix One

The Home Office's sponsored bodies at 1 April 2013

Executive Sponsored bodies

Crime

Executive non-departmental public bodies
 Security Industry Authority
 Serious Organised Crime Agency
 Executive Agency
 National Fraud Authority

College of Policing

Executive non-department public bodies
 Independent Police Complaints Commission
 National Policing Improvement Agency

Borders and Migration

Executive non-department public bodies
 Office of the Immigration Services Commissioner

Identity

Executive non-department public bodies
 Disclosure and Barring Service
 Executive Agency
 HM Passport Office

Other sponsored bodies

Advisory non-department public bodies

Advisory Council on the Misuse of Drugs
 Animal Procedures Committee
 Migration Advisory Committee
 National DNA Database Ethics Group
 Police Advisory Board for England and Wales
 Police Negotiating Board
 Technical Advisory Board

Tribunal non-department public bodies

Investigatory Powers Tribunal
 Office of Surveillance Commissioners
 Police Arbitration Tribunal
 Police Discipline Appeals Tribunal

Other

HM Inspectorate of Constabulary
 Independent Reviewer of Terrorism Legislation
 Biometrics Commissioner
 Independent Chief Inspector of Borders and Immigration
 The Security Service (MI5)
 Intelligence Services Commissioner
 Surveillance Camera Commissioner
 Interception of Communications Commissioner
 Forensic Science Regulator

Appendix Two

Results of the Civil Service People Survey 2012

Question scores (% strongly agree or agree)	Civil service overall	Department for Business, Innovation & Skills (excluding agencies)
Leadership and managing change		
I feel that the Department as a whole is managed well	43	39
Senior civil servants in the Department are sufficiently visible	48	51
I believe the actions of senior civil servants are consistent with the Department's values	42	40
I believe that the departmental board has a clear vision for the future of the Department	40	41
Overall, I have confidence in the decisions made by the Department's senior civil servants	39	37
I feel that change is managed well in the Department	29	26
When changes are made in the Department they are usually for the better	25	19
The Department keeps me informed about matters that affect me	56	59
I have the opportunity to contribute my views before decisions are made that affect me	36	31
I think it is safe to challenge the way things are done in the Department	40	37
Organisational objectives and purpose		
I have a clear understanding of the Department's purpose	84	81
I have a clear understanding of the Department's objectives	79	74
I understand how my work contributes to the Department's objectives	82	79

Note

1 The score for a question is the percentage of respondents who strongly agree or agree to that question.

Cabinet Office (excluding agencies)																
Department for Communities and Local Government (excluding agencies)																
Department for Culture, Media & Sport (excluding agencies)																
Ministry of Defence (excluding agencies)																
Department for Education																
Department of Energy & Climate Change																
Department for Environment, Food & Rural Affairs (excluding agencies)																
Foreign & Commonwealth Office (excluding agencies)																
Department of Health (excluding agencies)																
HM Revenue & Customs (excluding agencies)																
HM Treasury																
Home Office (excluding agencies)																
Department for International Development																
Ministry of Justice (excluding agencies)																
Department for Transport (excluding agencies)																
Department for Work & Pensions (excluding agencies)																
	38	31	23	19	39	39	29	56	31	21	62	39	63	48	43	29
	47	45	37	26	46	64	42	59	47	33	71	48	71	56	59	30
	40	33	23	24	39	47	34	55	39	27	59	40	62	47	47	29
	29	31	29	22	31	27	22	54	24	24	47	28	64	37	35	30
	40	30	18	16	35	42	29	50	33	19	57	35	58	43	39	23
	28	22	19	11	27	27	19	42	18	17	49	23	44	34	27	24
	22	14	12	9	17	25	14	36	14	14	35	18	32	29	19	20
	57	54	56	41	55	67	56	62	49	40	72	60	69	61	63	46
	34	32	32	20	37	39	31	42	30	20	48	33	50	37	35	23
	41	29	32	30	36	43	37	45	31	29	54	38	44	41	43	33
	73	67	64	80	83	87	74	83	68	75	86	84	94	79	80	79
	63	63	62	72	77	84	70	80	62	72	80	80	92	73	74	77
	73	72	70	76	80	86	75	84	69	75	82	81	91	77	79	78

Appendix Three

Publications by the NAO on the Department since April 2012

Publication date	Report title	HC number	Parliamentary Session
4 September 2013	Border Force: securing the border	HC 540	2013-14
July 2013	Private sector partnering in the police service: A practical guide to major business partnering, custody and consultancy report	www.nao.org.uk/report/private-sector-partnering-in-the-police-service/	
26 March 2013	Police Procurement	HC 1046	2012-13
November 2012	Departmental Overview: A summary of the NAO's work on the Home Office 2011-12	www.nao.org.uk/report/departmental-overview-a-summary-of-the-naos-work-on-the-home-office-2011-12/	
July 2012	Review of the data systems for the Home Office	www.nao.org.uk/report/review-of-the-data-systems-for-the-home-office/	
17 July 2012	The UK Border Agency and Border Force: Progress in cutting costs and improving performance	HC 467	2012-13
26 April 2012	Financial management in the Home Office	HC 1832	2010-2012

Appendix Four

Cross-government reports of relevance to the Department since April 2012

Publication date	Report title	HC number	Parliamentary Session
18 July 2013	Charges for customer telephone lines	HC 541	2013-14
8 July 2013	The 2012-13 savings reported by the Efficiency and Reform Group	HC 126	2013-14
19 June 2013	Building capability in the Senior Civil Service to meet today's challenges	HC 129	2013-14
13 June 2013	Financial management in government	HC 131	2013-14
17 April 2013	The Efficiency and Reform Group	HC 956	2012-13
13 March 2013	Cabinet Office and HM Treasury – Integration across government	HC 1041	2012-13
27 February 2013	Improving government procurement	HC 996	2012-13
31 January 2013	Early action: landscape review	HC 683	2012-13
24 January 2013	Memorandum on the 2012 Civil Service Reform Plan	HC 915	2012-13
18 October 2012	Managing budgeting in government	HC 597	2012-13
25 September 2012	A snapshot of the use of Agile delivery in central government	www.nao.org.uk/wp-content/uploads/2012/09/snapshot_Agile_Delivery.pdf	
25 July 2012	Governance for Agile delivery	www.nao.org.uk/publications/1213/governance_for_agile_delivery.aspx	
26 June 2012	Delivering public services through markets: principles for achieving value for money	www.nao.org.uk/publications/1213/delivering_public_services.aspx	
20 June 2012	The effectiveness of internal audit in central government	HC 23	2012-13
13 June 2012	Central government's communication and engagement with local government	HC 187	2012-13
2 May 2012	Assurance for major projects	HC 1698	2010–2012
18 April 2012	Implementing transparency	HC 1833	2010–2012

Where to find out more

The National Audit Office website is
www.nao.org.uk

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