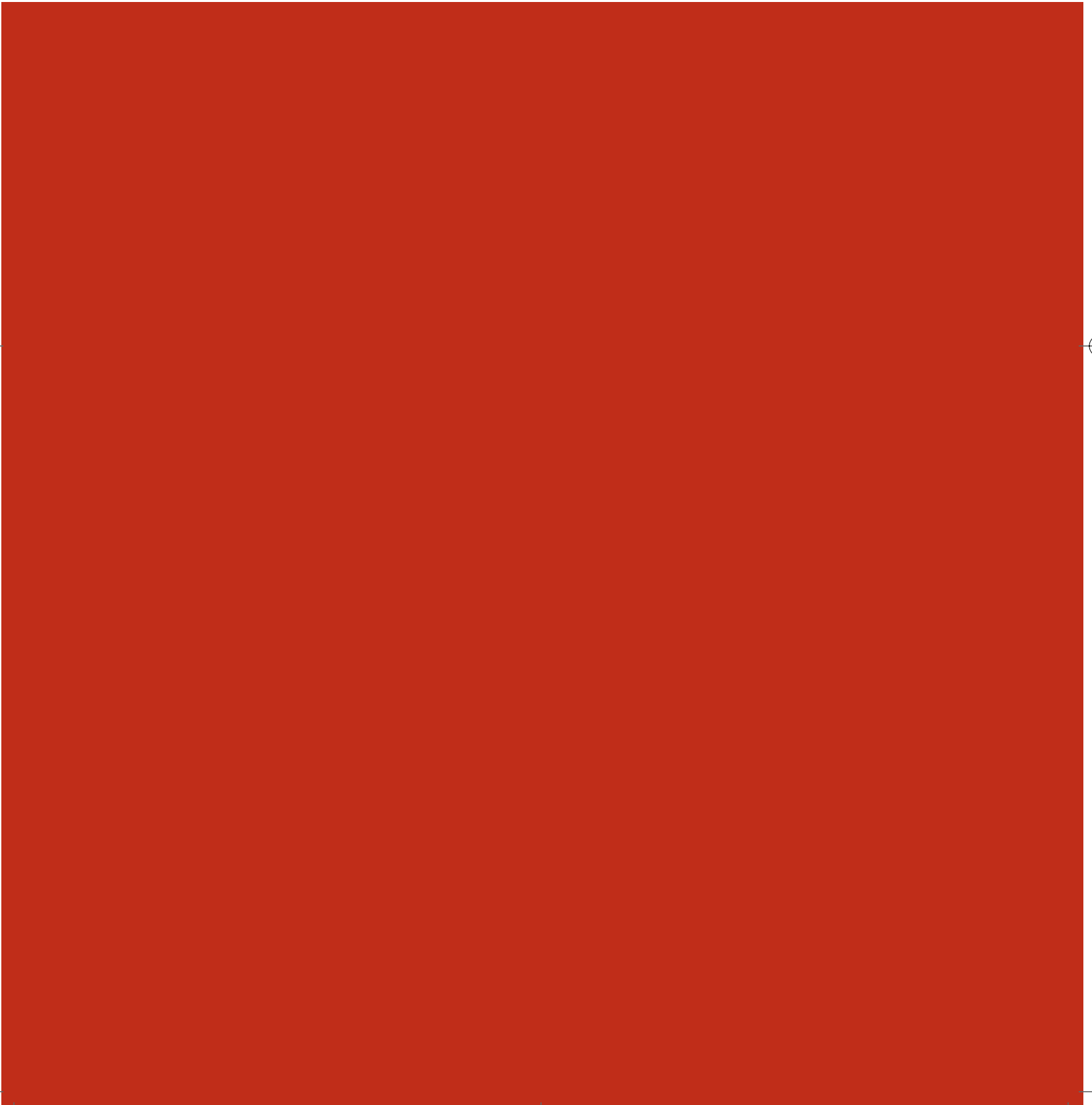


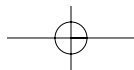
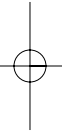
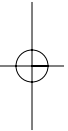
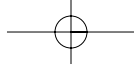


CIVILSERVICE

Capability Reviews

# Capability Review of the Home Office





# Foreword

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The purpose of departmental Capability Reviews is to use honest and robust assessments of future capabilities to identify the specific measures that are needed if central government departments are to play their part in enabling the UK to meet the considerable challenges of the future.

Over the course of the last generation there has been a transformation in the UK economy and wider society. In the era of globalisation, international trends in, for example, migration, production techniques and energy consumption have a profound effect on an outwardly facing nation like the UK. Global competition places a premium on productivity and flexibility. Harnessing new technology, developing new, high-value skills and embracing change have all enabled the UK economy to respond to these challenges, but only because companies, communities and individuals have had to learn to adapt to rapid change. As the pace of change quickens, skills and flexibility will become even more important.

Just as these trends have required a major change in the behaviour of all parts of UK society – corporate, community and individual – the challenges of the future require a response from government too. If the State, through public services, is to enable the UK to thrive over the decades to come, public services and those who deliver them must also become more flexible and adaptable, more individual, more expert and more professional.

And the environment in which public services are delivered is also changing fast. Migration, an ageing population and changing lifestyles are amongst the factors that have made the UK population – the users of public services – more diverse than ever before. The nature of public services means that often the normal, market-based ways in which suppliers learn what customers think of services are only partly available. But technological and lifestyle changes mean that the public's expectations are rising, as those who use services rightly demand something tailored to their needs and delivered in the way most convenient for them.

Equipping public services for these challenges requires a transformation of the nature of government. The Capability Reviews mark an important part of this process for the centre, with an examination of what the needs going forward are for each government department.

Underpinning each review is how each department can play the role of enabler. In the modern era of technological change and consumer choice, it is not for government to control or prescribe what people want and receive.

Instead, a clear vision of what the centre should do is fundamental. High-level targets are an important tool, but the centre cannot and should not seek to micro-manage everything. Instead, the centre needs strong strategic capability to set and review priorities, as well as robust systems for managing performance and tackling areas of weakness. Getting the right skills in place, particularly operational skills, is of critical importance. Equally crucial is ensuring that policy is designed in a way

that uses the experience of what works for customers and providers. These are the themes of the Capability Reviews.

Each Capability Review has been carried out by the Prime Minister's Delivery Unit with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments. The teams' wealth of experience provides external challenge and insight as well as contributing to sharing best practice across Whitehall.

I would like to thank and acknowledge the support of the review team for the Home Office, without whom this report would not have been possible. The members of the team were:

- Caroline Tapster, Chief Executive, Hertfordshire County Council
- Brian Pomeroy, Audit Commission Board Member and Chair of the Financial Inclusion Taskforce
- Derek Sach, Managing Director, Specialised Lending Services, Royal Bank of Scotland; Director, Priority Sites Limited; and Non-Executive Director and Chairman of the Audit Committee; and Member of Remuneration and Nomination Committees, Associated British Ports Holdings Limited
- Catherine Bell, Non-Executive Director, Swiss Re GB and Non-Executive Director, Civil Aviation Authority (Former Acting Permanent Secretary, Department of Trade and Industry)
- Joe Harley, Director General, Department for Work and Pensions

This report is just the beginning. The real challenge for the Home Office comes in implementing what has been identified as needing to be done. Key actions which address areas for improvement have been agreed between the Cabinet Secretary and the Permanent Secretary of the Department. The Prime Minister's Delivery Unit will regularly review progress and provide support to help ensure that the Home Office is on track to deliver.



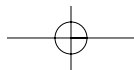
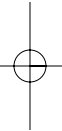
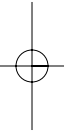
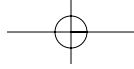
Sir Gus O'Donnell KCB  
Cabinet Secretary and Head  
of the Home Civil Service

July 2006

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# The Department's response

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**The Department has responded to the findings of the review by publishing a reform action plan which will be used by the Cabinet Secretary to hold the Permanent Secretary to account for progress.**

## The Permanent Secretary's response

**The Home Secretary and I are today publishing a reform action plan which sets out how we will transform the Home Office. It draws on the findings of the Capability Review, as well as on my own and on my senior team's analysis, conducted after my arrival at the Home Office in January.**

The Capability Review coincided with the foreign national prisoners' crisis. This reinforced the case for change and underlined its urgency. On his arrival the new Home Secretary rightly concluded that fundamental reform was needed, and set a demanding timetable for drawing up our action plan. The reform plan published today, therefore, not only responds to the Capability Review, but sets out a wider programme for transforming the Home Office – in its leadership capabilities, its organisation and structure, and its skills, processes and systems.

Our plan is in four parts.

Firstly, we define public protection as the core purpose of the Home Office and set six new objectives to guide its work.

Secondly, we are making immediate changes to the Home Office's leadership team to strengthen its board and director level. This will be underpinned by a longer-term programme for developing all the Department's top 250 leaders.

Thirdly, we will reshape the structure and governance of the Home Office. The key characteristics of the reshaped Department will be:

- a much smaller strategic centre, supporting the Home Secretary in setting the overall direction in policy and performance; and a shift of responsibility and resource to the front line;
- accountable business units (the National Offender Management Service, the Immigration and Nationality Directorate and the Identity and Passport Service) with clear performance frameworks and freedom to innovate and manage; with the Immigration and Nationality Directorate becoming an executive agency;
- a Reform and Delivery unit, led at board level, driving change, priorities and performance;
- much more efficient and effective shared services separated and governed by operational areas within a framework set by the centre; and
- an overall reduction in headquarter's staff by 30 per cent (2,700 posts) by 2008 and a further 10 per cent (600 posts) by 2010.

Fourthly, we are launching a radical reform programme with seven strands:

*A new approach to risk:* we have already started to revisit radically the way in which we manage risk in the Department, changing behaviours and ensuring that operational risks are escalated to the front line when they should be.

*Prioritisation and resource management:* we will strengthen our approach to allocating and managing resources and people, so that they are focused on our public protection priorities.

*Investing in people:* we propose to transform the skills, including the managerial skills, of our staff at all levels; and to revise our performance management and incentives, so that poor performance is tackled and good performance rewarded.

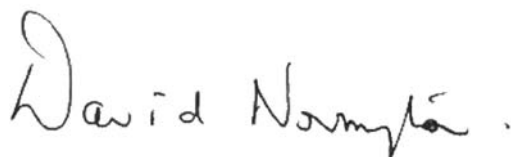
*Accurate data and management information:* we are taking urgent steps to improve the quality and accuracy of our management information and numerical data so that it can be trusted by our ministers, by Parliament and by the public. A longer-term programme to develop greater assurance in management information is in development.

*Reliable systems and processes:* we will build more robust and reliable systems and processes across the Home Office, both in individual services and between services.

*More effective programme and project management:* we are reviewing the present state of all our major programmes and using the arrival of our new board member for performance and reform to ensure that swift action is taken to address weaknesses and gaps.

*Engaging stakeholders and communities:* we are committed to building stronger relationships with our national and local partners and stakeholders, many of whom we rely on for effective delivery.

Today is the start of a long-term and fundamental reform programme for the Home Office. We are committed to early and visible change, but the transformation we seek will require long-term commitment and endurance. We are determined to succeed.



Sir David Normington KCB  
Permanent Secretary  
Home Office

July 2006

# 1. The Department

**The Home Office is one of the oldest and largest Whitehall departments. It also has one of the most challenging briefs, covering many of the issues that most concern the public, including reducing crime and managing offenders, providing visible and accountable policing, managing immigration, and ensuring effective counter-terrorism. The Home Office has been reviewing its priorities around its core purpose of protecting the public, and will be setting out the outcome of that review in parallel with this report.**

The Home Office has changed considerably over the past decade, both in terms of its structures and its focus. It has moved away from being a business whose main purpose was to pass legislation, fund services and issue guidance, to become a department that is more sharply focused on delivering important outcomes for the public.

The Comprehensive Spending Review of 1998 imposed additional targets and demanded, from both the Home Office and its delivery agents, a more customer focused approach. This shift saw the introduction of legislation to formalise partnership working in order to deliver outcomes for communities. For the first time, there was also a Home Office presence in regional Government Offices in England and Wales and a real impetus to forge relationships with local authorities and other 'non-traditional' partners (local strategic partnerships, for instance).

Significant changes to the machinery of government in 2001 redefined the focus of the Department. The responsibility for work permits and the coordination of UK anti-drugs activities was passed to the Home Office from the Cabinet Office, while responsibility for a variety of other functions (for example liquor and film/video licensing, and Sunday trading) was transferred to other departments.

Public Service Agreement (PSA) targets were introduced to focus on key delivery areas. The Home Office responded by recruiting specialist skills from outside Whitehall, and developed closer links with other government departments. The Department became very focused on PSA target delivery and achieved notable successes in terms of its performance against those targets. In particular, the Home Office has reduced crime and the fear of crime, improved police performance, increased the number of offences brought to justice, and 'tipped the balance' towards greater clearance of cases than applications in relation to the deportation of failed asylum seekers.

During the review, the Home Office's business on communities was transferred to the Cabinet Office and the newly-established Department for Communities and Local Government (DCLG).

The Home Office now has:

- a headquarters which sets the strategic framework of objectives, financial allocations and performance management for the Home Office's key service responsibilities, and provides common support services across the Department;

- 
- national responsibility for the police service in England and Wales;
  - two large operating services: the National Offender Management Service (NOMS), which brings together the prison and probation services, and the Immigration and Nationality Directorate (IND);
  - a number of smaller services, including the Identity and Passport Service, the Criminal Records Bureau and the Forensic Science Service; and
  - a number of non-departmental public bodies (NDPBs), including the Criminal Injuries Compensation Authority and the Youth Justice Board.

The Home Office is also a major stakeholder in the Office for Criminal Justice Reform (OCJR). The OCJR has trilateral reporting to the Home Office, the Department for Constitutional Affairs and the Office of the Attorney General on the effectiveness of the Criminal Justice System.

The most senior civil servants are brought together with the Permanent Secretary to form the Home Office Board. The Board consists of directors general and chief executives, responsible for running the Department's main delivery arms, as well as members who are responsible for functional services including strategy, finance and human resources.

The core Home Office employs 21,000 staff, of whom approximately 16,000 work for the Immigration and Nationality Directorate. A further 47,000 staff work for the Prison Service, 2,900 work for the Identity and Passport Service and 2,600 work for the Forensic Science Service. This brings the total to over 73,000 in the Home Office group – nearly 15 per cent of the Civil Service.

The Department has annual budgets of £13bn – just under 3 per cent of total government expenditure – with over £5.2bn being spent on the police, over £2.4bn on prisons and over £1.5bn on immigration services.

The Home Office has been on a significant change journey and has achieved much against its targets over recent years. However, as a result of world events such as the ending of the Cold War and the onset of an era of mass migration, the demands placed on the Department have grown considerably. Looking ahead, in light of these and wider changes in society, it will not be sufficient to make incremental changes in the way the Department delivers services to the public. Instead, a further step change in its capabilities and performance is now urgently required.

## 2. Current delivery challenges

**The Home Office has made good progress towards delivering its Public Service Agreement (PSA) targets since 2004 and has also made good progress towards delivering its Gershon efficiency savings target, where it is ahead of schedule. It is reducing its headcount, and relocating posts in response to the Lyons review.**

### The Home Office had seven Public Service Agreement targets set out in the 2004 Spending Review

1. Reduce crime by 15 per cent, and further in high-crime areas, by 2007/08.
2. Reassure the public, reducing the fear of crime and anti-social behaviour, and building confidence in the Criminal Justice System without compromising fairness.
3. Improve the delivery of justice by increasing the number of crimes for which an offender is brought to justice to 1.25 million by 2007/08.
4. Reduce the harm caused by illegal drugs, including substantially increasing the number of drug-misusing offenders entering treatment through the Criminal Justice System.
5. Reduce unfounded asylum claims as part of a wider strategy to tackle abuse of the immigration laws and promote controlled legal migration.
6. Increase voluntary and community engagement, especially amongst those at risk of social exclusion.
7. Reduce race inequalities and build community cohesion.

(PSA targets 6 and 7 have very recently been transferred to the Department for Communities and Local Government and the Cabinet Office respectively.)

### The Home Office has made good progress towards delivering its PSA targets since 2004

- The number of unfounded asylum claims has fallen, the target on bringing offenders to justice has already been met, and the Home Office is ahead of trajectory and on reducing drug harm and on drug treatment targets.
- The Department remains on track to achieve its target of reassuring the public, reducing the fear of crime and anti-social behaviour, and building confidence in the Criminal Justice System.
- Performance on the enforcement of the Criminal Justice System – one of two non-PSA priority areas – is mixed, with good progress on two areas and more to do on two others.
- The asylum ‘tipping point’ target, where the number of asylum cases cleared is greater than the number of applications received, was achieved between February and May 2006.
- Inevitably, these targets are tough to sustain, and recent evidence suggests that overall crime levels have flattened and drug-related crime is flattening. Sustaining

performance in reducing the number of unfounded asylum claims will also be a big challenge.

**The Home Office has made good progress towards delivering its Gershon efficiency savings target of £1,970m by March 2008**

- By March 2006, the Department had delivered some £1.6bn in savings, compared with £1.4bn pro rata forecast – £200m ahead of schedule.

**The Home Office has also made progress towards its headcount reduction target of 2,700 by March 2008 and its Lyons relocation target of 2,200 by 2010**

- By March 2006, the Department had reported a reduction in its headcount of 1,089, compared with 1,933 forecast, while its relocation of 497 posts is ahead of the 434 forecast.

## 3. Challenges for future delivery

**The Home Office has one of the largest and most challenging briefs in Whitehall and a customer base that spans every sector of society – including the most dangerous and evasive individuals. The Home Office has improved and made progress on aspects of delivery through focused targets, including PSA targets.**

**At the time of the review, the Home Office Board was in transition and was still being formed, with new appointments being made. During the review fieldwork period, serious operational problems emerged around foreign national prisoners, and the review team were able to see at close quarters the difficulty of the challenge ahead for the new Board. The review has confirmed the Board's diagnosis that urgent action is required to strengthen capability in key areas.**

**Under all scenarios, there remain significant challenges ahead. The Department retains an exceptionally demanding set of priorities and, following recent events, these will have to be delivered in a context of heightened public and political scrutiny.**

### **The Home Office has one of the largest and most challenging briefs in Whitehall**

The Department is responsible for many of the issues that most concern the public, such as crime, immigration and counter-terrorism. Its customer base spans every sector of society including the most dangerous and evasive individuals.

### **The Department has improved and made progress on aspects of delivery through focused targets, including PSA targets**

This has been achieved by a department with very distinct 'businesses' – the prison, police, probation, criminal justice, immigration, and identity and passport services.

### **At the time of the review, the Home Office Board was in transition and was still being formed, with new appointments being made**

The Permanent Secretary and most members of the Home Office Board were new to their posts at the time of the review. Inevitably with such a large turnover at the top, the Board was in transition and still forming as a team when the review happened. The Board highlighted key capabilities that it considered were particularly important, including corporate leadership, management capability and workforce skills, resource management, and prioritisation. The Board asked that the review team test, challenge and confirm its emerging thinking about where the Home Office and its Board needed to reform and improve its capabilities and build on some of the changes that were already in hand.

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## The review has confirmed the Board's diagnosis that urgent action is required to strengthen capability in key areas

High-profile operational difficulties around foreign national prisoners who should have been considered for deportation have led the public and ministers to voice significant concerns about the Department's capability. Subsequent to this review, the new Home Secretary and Permanent Secretary stated publicly that there are capability gaps that the Home Office must address as a matter of urgency.

The Department retains an exceptionally demanding set of priorities and, following recent events, these will have to be delivered in a context of heightened public and political scrutiny. The Chancellor announced in the Budget an increase in Home Office funding in line with inflation for 2008/09 to 2010/11. The Home Office will need to put a priority on delivering significant efficiencies at the same time as focusing on urgent re-prioritisation of its work.

The Department must therefore improve the reliability of its day-to-day business and deliver on a range of major priorities which equate to a substantial programme of reform. The Home Office reform action plan being published in parallel to this review sets out the key priorities for the Department, all centred around public protection.

## 4. Assessment of capability for future delivery

- Six elements were assessed as ‘development areas’. These were: ‘ignite passion, pace and drive’, ‘take responsibility for leading delivery and change’, ‘focus on outcomes’, ‘base choices on evidence’, ‘build common purpose’ and ‘manage performance’.
- Two elements were assessed as ‘urgent development’. These were: ‘set direction’ and ‘develop clear roles, responsibilities and business model(s)’.
- There were two areas of ‘serious concerns’. These were: ‘build capability’ and ‘plan, resource and prioritise’.

### Leadership

<b>L1</b>	Set direction		<b>Urgent development area</b>
<b>L2</b>	Ignite passion, pace and drive		<b>Development area</b>
<b>L3</b>	Take responsibility for leading delivery and change		<b>Development area</b>
<b>L4</b>	Build capability		<b>Serious concerns</b>

### Strategy

<b>S1</b>	Focus on outcomes		<b>Development area</b>
<b>S2</b>	Base choices on evidence		<b>Development area</b>
<b>S3</b>	Build common purpose		<b>Development area</b>

### Delivery

<b>D1</b>	Plan, resource and prioritise		<b>Serious concerns</b>
<b>D2</b>	Develop clear roles, responsibilities and business model(s)		<b>Urgent development area</b>
<b>D3</b>	Manage performance		<b>Development area</b>

The model of capability is shown at Annex A.  
The assessment categories are shown at Annex B.

This review was undertaken between March and July 2006. As described above, this incorporated a period of public upheaval for the Home Office. The review takes account of these specific events, and presents a broader assessment of Home Office capability based upon evidence from a range of sources and perspectives, including data and documentary analysis, staff surveys, interviews with senior managers and ministers, visits to front-line delivery staff, stakeholder surveys, and the views and reports of external organisations such as the National Audit Office, the Committee of Public Accounts, the Office of Government Commerce and the Prime Minister’s Delivery Unit.

## 5. Capability Review findings

### Leadership

**The leadership of the Home Office has made undoubted progress in the last five years. The Department now faces major and urgent new challenges and the new Board is coming together under a new Permanent Secretary to take urgent action to deal with these.**

**In particular, the new Board must now provide new leadership to the Home Office and set a clear vision and sense of direction for the Home Office as an organisation. There will need to be stronger governance to enable the Home Office to operate as a single entity with a specific culture. The Home Office does not yet have the overall capability and the corporate services to meet the scale of the change it faces.**

#### The leadership of the Home Office has made undoubted progress in the last five years

- The Home Office has made progress in articulating and securing good recognition of its high-level objectives for delivery, and in setting out its corporate values.
- The Home Office deals with all parts of society, including the most evasive and dangerous individuals. This makes Home Office business high risk, and system failures can cause high-profile crises. The Department manages these crises collaboratively and with urgency.
- The previous leadership brought a sharp personal focus on PSA targets and established the foundations for an improved system of performance management.
- There is pride in parts of the organisation that is evident from the centre to the front line, particularly around delivery.

#### The Department now faces major and urgent new challenges and the new Board is coming together under a new Permanent Secretary to take urgent action to deal with these

- The current Home Office Board is new and in transition. It has set out the need for change and engaged most Senior Civil Servants in the Department personally to discuss their thoughts on the change programme, including many of the current challenges facing the Home Office.
- Staff are now looking to the new Board to move the organisation forward at pace.
- The Permanent Secretary is now working with his Board to effect the changes he wished to put into place as part of his change programme, including development of the Board as an effective, corporate leadership team.

#### The new Board must now set a clear vision and sense of direction for the Home Office as an organisation

- The significant number of personnel changes on the Board has unsettled staff,

impacted on morale and left many staff uncertain about whether the Home Office will be a better place to work in 12 months' time. This level of uncertainty is greater than in other departments.

- Senior managers are waiting to see the changes that the new leadership team wishes to introduce.
- The new Board now has a golden opportunity to set a clear vision and sense of direction for the Home Office as a whole. The rest of the organisation then needs to ensure that business-specific strategies support and add value to the departmental direction.
- This will enable the Home Office's many stakeholders to have confidence in the Board and to see the Home Office group functioning with a common purpose, something which they do not perceive as happening currently.

### **Governance needs to be strengthened to enable the Home Office to operate as a single entity with a specific culture**

- Coherence at the centre is critical to building future capability in the Department. Not achieving this contributes to the type of difficulties recently faced by the Department.
- Individual members of the Board will need to combine accountability for their own areas of responsibility with adopting more corporate roles and behaviours to set the corporate tone and culture for the future. For example, difficult decisions at the Board should in future be taken collectively.
- The level of external scrutiny and challenge from non-executive directors needs to be further developed for the scale and importance of the business in which the Home Office is engaged.
- Governance below the Board also needs strengthening, otherwise too many decisions will be deferred to the Board, sub-boards will lack authority and clarity of purpose, and the behaviour and attitudes in the Senior Civil Service will reflect a lack of empowerment and pace.

### **The Home Office does not yet have the overall capability and the corporate services to meet the scale of the change it faces**

- The scale of change that the Home Office is undertaking is significant. Since January 2004, for example, the Home Office has been subject to 150 (21 per cent) of the 729 Gateway reviews undertaken by the Office of Government Commerce on major programmes and projects.
- Current overall capability in leadership, project management and people management, for example, must improve urgently to meet this degree of change. The shortfall in current capability is sometimes evidenced by the Department's over-reliance on external consultants to plug the gaps.
- There is an urgent need for the Home Office to be much more agile in moving resources – people and money – as priorities change. HR systems need to be much more flexible and responsive in supporting the movement of people through promotions, external recruitment and staff moves.

- The culture within the Senior Civil Service also needs to place a greater value on the corporate responsibility for talent management, and staff development and redeployment.

## Strategy

**The Home Office has developed clear strategies in its individual businesses. Its programme to create a systematic and robust approach to evidence-based strategies will improve capability. The new Board must strengthen the strategic coherence and affordability of the services for which the Home Office is responsible, with greater stakeholder engagement and ownership.**

**The Home Office has developed clear strategies in its individual businesses. Its programme to create a systematic and robust approach to evidence-based strategy will improve capability**

- There are strategies for each of the businesses. These are clear and there has been good engagement with ministers in their development.
- PSA targets have focused minds on the link between strategy and delivery, both within the Home Office and across the delivery chain.
- Strategies are often backed by significant legislative changes, for example the Terrorism Act 2006. These have been woven into the strategy process and successfully passed through Parliament.
- The Home Office has recognised that it needs to strengthen the information, analysis and evidence used in the formulation of strategies. The Department is engaged in a programme to deliver a systematic approach to the way evidence and analysis are used in policy development.
- The Home Office recognises that it cannot make progress alone, and has committed itself to listen more, respond more quickly, and work more collaboratively with partners and stakeholders in delivering its agenda.

**The new Board must strengthen the strategic coherence and affordability of the services for which the Home Office is responsible, with greater stakeholder involvement and ownership**

- An essential role for the new Board will be to provide corporate challenge to strategy development at board level, especially in negotiating between priority policies and questioning their deliverability. The Board will need to look across the Home Office group to ensure that strategies add up to a coherent and joined-up portfolio.
- The historic lack of integrated working means that external challenge could be very beneficial to help the development of joint strategies and an effective response to the issues facing the Home Office as a whole.

- Evidence-based approaches to strategy development should be strengthened, with more emphasis on end-to-end and whole-systems thinking. This will require enhanced capability on analytical skills.
- There should be greater input from the finance team in developing strategies to ensure deliverability and value for money.
- Corporate services (finance, IT, communications, etc) require strengthening to support active consideration of the impact of strategy on resources, people, information and processes. For example, the Home Office has the largest legislative programme of all departments, requiring a better system for managing it or for prioritising its contents against the available resources.
- Stakeholder engagement and ownership have been mixed and need to improve. The Home Office works with a range of delivery agents and partners. Many of these stakeholders consider that the Home Office could involve them more effectively in the development of its policies and strategies. Addressing this could help deliver a sense of shared ownership and strategy.

## Delivery

**The Home Office has improved its performance on delivery against PSA and efficiency targets. Further work is required to develop the capability to manage quality, performance and risk, particularly on cross-cutting issues. Roles and responsibilities should be further clarified and emphasis placed on integration between the businesses. In such a demanding business, managing priorities is especially important.**

### The Home Office has improved its performance on delivery against PSA and efficiency targets

- There has been consistent and broad-based improvement in the Home Office's progress against its PSA targets since 2001, as described earlier.
- The Department has made good progress in delivering efficiency savings under the Gershon agenda, as well as reductions in its headcount. It is on track in its relocation of staff in response to the Lyons review.
- Front-line staff have a good awareness and focus on delivering PSA targets.
- The Home Office has also been improving the quality and range of information it provides for consideration by the Board, and is making progress in improving financial management.
- The appointment of a senior, experienced professional to act as Chief Information Officer is bringing more coherence to the implementation of the Department's IT-dependent programme of policy initiatives. A Group Information and Technology Strategy will be in place by December 2006.

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**Further work is required to develop the capability to manage quality, performance and risk, particularly on cross-cutting issues. Roles and responsibilities should be further clarified and emphasis placed on integration between the businesses**

- The Home Office has yet to develop a more corporate approach to ensuring that there is effective integration of operations – including better information and assurance processes – and that the respective parts of its business are joined up and being managed effectively.
- The current culture and operating model of the Home Office does not properly support joint working and shared objectives between the 250 most senior staff across the Department. This can lead to a loss of focus on delivery. For example, organisations across the Home Office group would all benefit from greater clarity on the levers, incentives, sanctions, roles and responsibilities of the different parts of the Home Office and its delivery partners.
- Recent high-profile difficulties – such as the National Audit Office’s disclaimer of the Home Office’s 2004/05 accounts and the crisis over the failure to consider the deportation of foreign national prisoners prior to release – exemplify the need to improve systems and processes, risk management approaches and the relevant skills.
- A single, group-wide strategy on information and IT would help the Department to share information effectively, both within it and with its businesses.
- Many stakeholders believe that the Home Office could improve the quality of what it delivers by understanding its customers better and understanding the degree to which they are satisfied with the services provided.
- Emphasis on speed of implementation has sometimes been seen as being at the expense of building appropriate evaluation processes into initiatives, compromising the Home Office’s ability to learn lessons that can be fed back into the development of future policies and strategies.

**Managing priorities is especially important because of the multi-faceted and demanding delivery challenges faced by the Department**

- The need for a corporate approach to planning and resourcing arose consistently as a significant issue during the course of the review.
- The Comprehensive Spending Review for 2008/09 to 2010/11 has set budgets for the Home Office with resources constant in real terms. The Home Office now has to develop the capability, the structures and the processes to prioritise its work, people and resources to succeed within this settlement.
- The corporate governance arrangements through which the Board seeks to bring corporate discipline to the conglomerate of businesses that forms the Home Office group require urgent attention. The three main operational parts of the Home Office have their own policy, finance, communications, IT and HR teams. These often duplicate the work of the central teams, which creates confusion over the line of decision making, control and authority between these teams.
- As the Board sets out to operate more corporately, incentives will be required for staff in different parts of the Home Office group to work together across boundaries, particularly across the various delivery arms of the Home Office.

## 6. Key areas for action

**The Permanent Secretary has already identified that the Home Office needs to take action on a number of fronts to deliver a step change in its capability. This review has confirmed five key areas for action for him and his Board to initiate. Together these will create a reformed Home Office with a strong centre, effective operational management, and efficient systems and processes. These will drive sustainable performance improvements, meet the challenges set out by the Home Secretary and provide a firmer platform from which the Department can meet its agreed major priorities. The actions will impact on the whole Department, including the businesses.**

### Area for action 1 – strengthen the Board

- Setting direction, prioritisation, integration and improved operational grip starts with the Home Office Board. The Board must focus primarily on ‘the top space’ – strategy, leadership, resources, prioritisation, talent development and reputation. The Board must provide the active challenge to the organisation that currently comes from external sources.
- The Department is rotating its non-executive directors. New non-executive directors should be able to bring their skills, experience and personality to give external challenge to the Board.
- The Board must urgently state its vision for the organisation. This should include a strong headquarters that manages demanding businesses through effective performance management, financial rigour and robust corporate services.
- Greater empowerment in the leadership of the Home Office can be delivered through simplification and empowerment of the sub-boards which support the Board and manage the organisation. These should be staffed from across the Senior Civil Service (SCS), to share and embed corporate leadership responsibilities. Leaders can then lead and manage effectively.
- There needs to be agreement with the new Home Secretary about how best to achieve appropriate ministerial engagement with the Board on strategy and priorities.
- There should be a professional development programme for board members individually and collectively to cement the team and define areas that need to be supported and strengthened.
- These changes need to be underpinned by effective department-wide communication if they are to be successful. This should include face-to-face briefings and formal communications from the Board.

### Area for action 2 – improve leadership and empowerment of the 250 most senior staff

- The Board needs to oversee a programme of organisational and cultural development for the 250 most senior leaders. This will build on the good practice that already exists in parts of the organisation and will identify champions and celebrate and reward success.

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- Alongside this, the Board should press ahead urgently with the work that has begun in recent months to introduce a talent management system and effective succession planning. This should include the acquisition of Fast Stream and high potential staff from cross-Whitehall programmes and the nurturing of Home Office talent – including talent from within the businesses. Poor performance should be tackled much more effectively in the senior leadership.
  - To emphasise the leadership responsibilities of the Senior Civil Service, a revised governance structure should be published. This must include a map of the level of delegated authority to give clarity of accountability. This will empower leaders to lead.

### Area for action 3 – tackle the variety, appropriateness and complexity of business models and their impact on the delivery chain to improve operational grip and performance

- The Home Office should urgently implement the governance review it already has in development. Good governance will provide a platform for the improvements that the Home Office needs to make.
- The Home Office needs to strengthen accountability between the centre and the businesses and the businesses and their delivery partners, which may include each other. Consideration will need to be given to how this is managed – both at the Board and throughout the organisation. At the moment, the businesses in the Home Office are held together by the Board. Serious consideration needs to be given to whether a chief operating officer is employed to oversee the integration of the operational systems. This could be supported with changes throughout the businesses to further strengthen integration.
- There needs to be a review of the delivery models being used in the businesses. This has already started with the National Offender Management Service (NOMS) and the Immigration and Nationality Directorate (IND). This review should focus on customer-facing and delivery issues. It should account for finance, information and capability issues. It will need to resolve the confusion over the levers, incentives, sanctions, roles and responsibilities that currently exist.
- Together these changes will help control operational delivery by joining up services such as prisons, probation, the police and immigration services. These changes will need to be made quickly and managed by the Board with effective communications to staff and stakeholders.

### Area for action 4 – strengthen corporate services and how they support the business

- A strong headquarters managing powerful businesses through effective performance management, financial rigour and robust corporate services requires corporate discipline. The development of a strong corporate centre, an improved Board, and improved corporate services that have oversight of the Home Office's businesses should all drive corporate discipline.
- At board level, this would require a stronger link between finance and strategy, improved communications and IT visibility, and a stronger focus on projects

and processes to ensure rigour and efficiency in basic processes. The headquarters should have oversight of all corporate functions through the heads of profession.

- The headquarters teams should consider whether they need to rationalise any corporate services. There is an urgent need to bring to a conclusion the work which has already begun to overhaul transactional HR processes and develop transformational HR capability so that it has a real impact on the Home Office. This should include a focus on tackling poor performance. The information strategy should be implemented across the Department and deployed into businesses. This should be backed by the new corporate IT strategy and strengthened IT capability across and within the businesses. Project and programme management capability needs to be strengthened, given the programme load on the Department.

### Area for action 5 – prioritise and allocate resources to what is important

- The imbalance between the priorities set for the Home Office and its capability to deliver requires a range of responses.
- Demand on the Home Office is high, and steps must be taken to reduce this where possible. A robust and urgent review of priorities and how they are being delivered would allow some rationalisation of workload. This is necessary but will not be sufficient on its own.
- The Home Office must move to an approach based on crisis avoidance rather than crisis management. Improved leadership will drive this, particularly the development of the Board, backed by the appointment of a chief operating officer to manage operational integration, and much stronger corporate services to support risk management. This requires a significant improvement in the Home Office's approach to priority setting, resource allocation, portfolio management and staffing. This means that the Home Office needs to 'develop teeth' and develop corporate discipline in the following areas:
  - business planning, with decisions that are based on the impact on people, processes, IT and finance;
  - a gatekeeper role on policy development, ensuring financial rigour and strategic coherence;
  - the efficiency brief – with a push to spread best practice; and
  - stopping low-priority work.
- The Home Office should, in addition, develop a flexible pool of staff to deal with crises when they arise, without disrupting other programmes. Other government departments have already implemented such arrangements.

# Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The reviews provide an assessment of capability for departments, identify key areas for improvement and set out key actions to address these areas.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 49 questions.

Each Capability Review has been carried out by the PMDU with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and board-level members of other government departments.

The PMDU will regularly review progress and provide support to help ensure that the department is on track to deliver.

# Leadership

## Key questions that test current capability

### L1 Set direction

- How do you set a clear direction and articulate the vision to provide a compelling and coherent view of the future?
- How do you take difficult decisions, and do you follow them through?
- How do you generate common ownership of the vision amongst the board, the department and delivery owners?
- How do you maintain focus when faced with crises/system shocks? How do you balance this with the need to keep the vision up to date when circumstances change?

### L2 Ignite passion, pace and drive

- Are you seen as role models in the department, inspiring the respect, trust, loyalty and confidence of superiors, peers and staff? Do you talk, listen and act on feedback and thereby demonstrate an understanding of the business?
- Do you display passion about meeting delivery outcomes?
- How do you engage personally with customers and staff in the department and across the system?
- How do you maintain energy and enthusiasm? How do you inspire staff to be proud to work for the organisation?

### L3 Take responsibility for leading delivery and change

- Do you drive delivery by: taking responsibility, welcoming challenging feedback on performance and learning lessons from successes and failures?
- How do you role-model an effective corporate culture of teamwork within the system? Do you and the senior leadership team act as an effective guiding coalition and initiate work across boundaries to achieve delivery outcomes?
- Do you accept the pressing need for change? Do you demonstrate your personal commitment to that change?
- How do you manage change effectively? How do you champion and drive through that change, addressing and overcoming resistance when it occurs?
- Are you open, honest, courageous and unflinching in delivering tough messages to your ministers and the department?

### L4 Build capability

- How do you nurture talent and encourage innovation in order to build capacity?
- Do you have a leadership development/promotion process that is fair and transparent?
- How do you manage the performance of everyone by rewarding good performance and tackling poor performance?
- Do you get enthusiastically involved in identifying talent and building capability in individuals and teams?
- Do your culture, behaviour and staff profile reflect the diversity of the customers you serve?

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## Strategy

### Key questions that test current capability

#### S1 Focus on outcomes

- Do you have one overarching set of clear and challenging outcomes, aims and objectives which will improve the overall quality of life for customers and benefit the nation?
- How do you work with ministers to develop strategy?
- How do you negotiate trade-offs between 'priority' policies?
- How do you work with other departments and partners external to government when developing strategy?

#### S2 Base choices on evidence

- How do you understand what your customers and stakeholders want?
- How do you identify future trends and plan for them? How well do you identify and manage the associated risks?
- How do you innovate by developing creative solutions to challenging problems? How do you ensure appropriate ambition?
- How do you choose between the range of options available?
- Once a strategic challenge has been identified, what process do you follow to address it, and who is involved?
- How do you ensure that your decisions are informed by sound evidence and analysis?
- How do you design systems which deliver your strategic objectives? How do you consider whole systems and understand the cost base?

#### S3 Build common purpose

- How do you align and enthuse the different players in the delivery chain to deliver?
- How do you remove obstacles to effective joint working? How do you share learning in order to ensure the strategy is delivered?

## Delivery

### Key questions that test current capability

#### D1 Plan, resource and prioritise

- Do you have the right skills, resources, structures and plans necessary to deliver the strategy as part of a clear model of delivery?
- Do you prioritise (and de-prioritise) and sequence deliverables, taking account of a proper risk management strategy, focused on change management priorities?
- Are your delivery plans aligned with the strategy? Are they robust and regularly reviewed?
- Are your delivery plans consistent with each other? Do they form a coherent whole which will deliver your strategy?
- How do you maintain a focus on efficiency and value for money?

#### D2 Develop clear roles, responsibilities and business model(s)

- Is the purpose of the departmental centre and headquarters functions clear?
- How do you ensure you have clear roles and responsibilities, rewards and incentives, which are understood across the delivery chain? Do they reflect the business model(s), and are they supported by appropriate governance arrangements?
- How well do you understand your business model(s)?
- How do you know whether you have the right balance between centralised and decentralised services?
- How do you identify and agree accountabilities and responsibilities for delivering desired outcomes across the delivery chain? How do you make sure that they are clear and well understood by all parties?
- How do you negotiate and contract with delivery agents, stakeholders and partners? How are these agreements documented and shared?

#### D3 Manage performance

- Do you have high-quality performance information supported by research and analytical capability? Does it allow you to track performance across the delivery chain?
- Do you actively respond to performance issues and follow them up?
- How effective is high-level programme and risk management across the delivery chain?
- How do you ensure and maintain effective control of the department's resources and the quality of its outputs?
- How do you know that your delivery chain understands customer needs and the drivers for satisfaction and responds to them?
- How do you ensure that your delivery chain captures and realises benefits?
- How do you feed this information back into the development of your strategy?

## Annex B: Assessment categories

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**Strong** – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



**Well placed** – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.



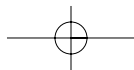
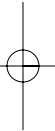
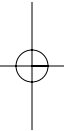
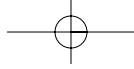
**Development area** – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.

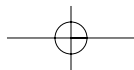
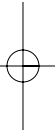
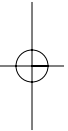
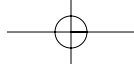


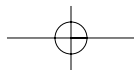
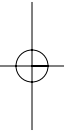
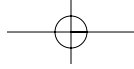
**Urgent development area** – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.



**Serious concerns** – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)







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