

WORK FOR THE HOME OFFICE BY MCKINSEY & COMPANY

McKinsey & Co. conducted work in respect of three principal areas of the Department's activities. The area, duration and cost of that work was as follows:

Business area or project	Start date	End date	Cost /£ (inc. VAT)
Departmental reform project	Feb 04	Apr 05	4,425,284
NOMS			
a) organisation design	Sep 04	Apr 05	1,945,095
b) NOMS change programme	Jun 05	Oct 05	1,125,650
IND			
a) managed migration review	May 04	Sep 04	700,300
b) new asylum model	Oct 04	Apr 05	1,544,441
c) points-based system	May 05	Jul 05	660,938

Overall Approach

2. From February 2004 to July 2005, McKinsey & Company was engaged to provide management consulting support to three major programmes of change within the Home Office Group: (i) the Departmental Reform programme across the whole Home Office, (ii) the implementation and change programme for the newly created National Offender Management Service (NOMS), and (iii) the performance improvement programme for the Immigration and Nationality Directorate (IND). The principal characteristics of these projects were as follows:

- In each case, McKinsey's support was commissioned by the most senior officials in the relevant area of the Department – respectively, the Permanent Secretary of the Home Office, the Chief Executive of NOMS, and the Director General of IND. Commissioning was endorsed by the relevant Boards.
- On each project, McKinsey consultants worked in support of and in collaboration with Home Office management and staff. These joint project teams pursued integrated programmes of work and developed joint end-products. On none of these projects was McKinsey asked to prepare an independent end-product (such as a 'McKinsey report').

- McKinsey's role and value added varied according to the needs of the specific project. But, in general terms, McKinsey was engaged in order to provide skills, experience and perspectives that were not available within the Home Office – notably proprietary tools and methodologies for project management and problem solving; experience of best practice in other organisations; and independence, rigour and objectivity.
- On each project, McKinsey's role was time-limited, and when that time came to end the McKinsey consultants handed over to the Home Office officials in the teams in which they had been working.

Home Office Departmental Reform

3. In February 2004, the Permanent Secretary and Group Executive Board initiated a programme of change across the Home Office Group under the rubric of "Departmental Reform". They commissioned McKinsey & Company to help them design and develop this programme in collaboration with an internal change team led by senior Home Office civil servants. Over the subsequent 18 months, the McKinsey consultants provided support to four specific aspects of Departmental Reform:

- **Departmental Reform programme design:** McKinsey helped draw together the various strands of organisational change across the Home Office into a single, coherent programme under the leadership of the Group Executive Board. The joint Home Office/McKinsey team specified a series of inter-related projects and workstreams; drew up terms of reference and objectives for each project; identified key deliverables and milestones; and agreed timetables for delivery. This work resulted in the Board's endorsement and active ownership of the Home Office's most significant change programme.
- **Value for Money programme:** A key element of Departmental Reform was – and is – the pursuit of enhanced value for money, especially in light of Sir Peter Gershon's report on efficiency improvement in government (published in July 2004). McKinsey helped the Home Office to draw up its plans for significant improvements in value for money for the three years to 2008. The team conducted an initial assessment of opportunities for gains through reductions in the size of the headquarters, the development of shared corporate services, enhanced procurement of external products and services, and improved

operational processes. This work resulted in the Board's endorsement of an integrated plan to increase value for money in the Home Office by £1,970m p.a. by March 2008, including through reducing its administrative and overhead costs.

- **Group Headquarters:** Departmental Reform also involved a re-design of the Home Office's central administration. Specifically, McKinsey advised on the establishment of a small Group HQ in London, drawing on existing posts within the Department, to provide overall strategic leadership to the Home Office and to provide professional leadership of key functions including finance, HR, strategy and communications. The team developed an organisational design for the Group HQ, drawing upon experience in other institutions – including role definitions, accountabilities, reporting relationships and supporting processes. This work resulted in the launch of the new Group HQ in the Spring of 2005, when the Home Office moved to its new site at 2 Marsham Street.
- **Performance Management:** Finally, McKinsey was asked to support the design and roll-out of a new approach to performance management, drawing upon best practice in the private and public sectors. This involved assessing the strengths and weaknesses of the existing performance management regime; identifying the key requirements of a new regime; specifying ways of reducing central information demands on Home Office businesses where possible; and designing a new process and information template for each of the main Home Office businesses and functions. This work resulted in the launch of a new performance management approach, again in Spring 2005, under the leadership of the Permanent Secretary and Group Executive Board.

National Offender Management Service (NOMS)

4. In September 2004, McKinsey's support to the Home Office's Departmental Reform programme was extended to include consulting support to the NOMS change programme. The creation of NOMS resulted from an independent review led by Lord Carter of Coles¹, published in January 2004, which called for the establishment of a single national service for offender management. McKinsey was asked to work with the Chief Executive and senior directors of NOMS on the design and conduct of a

¹<http://www.strategy.gov.uk/downloads/files/managingoffenders.pdf>

change programme involving the combined 60,000 staff of the Prison and Probation services, the organisational design of a new national headquarters, and the creation of new operating model for commissioning and offender management. There were three specific projects with McKinsey support between September 2004 and July 2005:

- **NOMS Headquarters Design:** In September 2004, McKinsey was asked to advise on the reorganisation of national leadership for the three organisations involved in the change programme – HM Prison Service, the National Probation Directorate and the Correctional Service HQ. This involved a review of each of the pre-existing HQ organisations, and advice on how their roles and responsibilities should be re-configured. This work resulted in the design of a new National Offender Management HQ which was launched in April 2005.
- **NOMS Change Programme:** In April 2005, McKinsey was asked to provide direct support to the NOMS change programme. McKinsey advised on the structure and conduct of the change programme; supported the development of programme infrastructure; helped to develop the business case, involving an assessment of value for money; and defined the scope and deliverables for the major sub-programmes. This work resulted in a major advance in the effectiveness of the NOMS change programme, which is now moving towards the next stage of implementation in April 2006.
- **NOMS Commissioning Model:** In May 2005, McKinsey was asked to advise on the development of a commissioning model for NOMS, drawing upon similar work that McKinsey had undertaken in other contexts. The joint NOMS/McKinsey team helped to define the key elements of a commissioning system, and identified the detailed work that needed to be done in setting up such a system. This work resulted in a detailed plan for the development and launch of a first generation NOMS commissioning system, scheduled for April 2006.

Immigration & Nationality Directorate (IND)

5. Also as part of its broader support to the Home Office on Departmental Reform, McKinsey was asked to support the Immigration & Nationality Directorate on

key aspects of its internal reform programme. There were three joint IND/McKinsey projects from May 2004 to July 2005:

- **Performance Management:** In May 2004, McKinsey was commissioned to work with an internal IND team to develop a new performance management framework for the managed migration system. The team drew upon analysis of existing management information systems and best practice from other organisations in the private and public sectors. This work resulted in the development and implementation in Summer 2004 of a new performance management system that included a systematic approach for managing delivery risks; an enhanced monthly performance assessment process; and a new and improved way for senior managers to assess the impact of decisions on organisational performance.
- **End-to-end Asylum Process:** McKinsey was subsequently commissioned in September 2004 to advise an internal IND team working on ways of improving the process for assessing asylum applications. Drawing upon best practice external experience, the team analysed current flows of applicants through the system and identified the primary causes of delays. This work resulted in the development of a new end-to-end model for managing flows through the asylum process – the “New Asylum Model”– and the preparation for phased implementation.
- **New managed migration system:** In February 2005, the Home Office published its 5 year strategy for immigration and asylum. This included the objective of creating a new points-based system for managed migration. McKinsey was subsequently asked to work with the internal team charged with developing the detailed operational design of this new system. Specifically, McKinsey advised on the analysis of existing research and information on the level and impact of immigration flows, and supported the development of the overall framework for the new system. This work resulted initially in a published consultation paper on the new managed migration system, which will lead to its operational launch in 2006.