

The Rayner Programme
 Promotion of Efficiency and Waste
 The Scrapping Programme

PART 9

GOVERNMENT
MACHINERY

PART 1: MAY 1979
PART 9: MAY 1981

Referred to	Date	Referred to	Date	Referred to	Date
28.5.81					
2.6.81					
1.7.81					
2.7.81					
6.7.81					
12.7.81					
22.7.81					
1.8.81					

PREM 19/479

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PART 9 ends:-

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PART 10 begins:-

MOB to TL + ends. 17. 9. 87

Mr WHITMORE H.



2pm
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FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

1. We spoke. The Secretary of State's minute of 14 September probably presents no difficulty but I would prefer to offer a draft reply when I have seen the document for publication to which he refers in paragraph 8.

2. In the meantime, you may like to have a copy of Sir Derek Rayner's comments of 6 May, which are enthusiastic about the Reeves report, but also draw attention (in paragraphs 7 - 9) to some of the wider issues including annuality.

SP

C PRIESTLEY
16 September 1981

Enc: Sir DR's letter of 6 May 1981



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

6 May 1981

The Rt Hon John Nott MP
Secretary of State for Defence

John Nott
CONTROL OF EXPENDITURE

1. Mr Reeves and his colleagues are to be congratulated on an excellent report. Their analysis is thorough and readable. I agree with their conclusions and their recommendations, especially those which relate to the use of cash as the medium for in-year monitoring and control of expenditure and to fixing responsibility for observing the cash limits on the Systems Controllers. I shall not waste time gilding the lily, but there are a few points which I should share with you.
2. Having had some association with defence procurement myself, I was interested to see that some of the problems I was struggling with 10 years ago still remain. Of course, I leave to one side the important consideration that some of the instability in the planning and management of defence is due to political change and concentrate on the degree to which, given such a background, planning and management can be made more rational. As I see them, the main points are attitudes; the currency used for planning and control; and the organisation and management of planning and control.
3. On attitudes, I think that the Reeves report brings out very well the fact that the Services' specification of what is to be supplied and the Procurement Executive's arrangements for supply have to be regarded as part and parcel of the same process. As the team say, the new arrangements they propose will not work unless they have the co-operation of all concerned, including the Service staff. The importance of this cannot be over-emphasised. In my experience, the propensity to make repeated changes in specification and the general view that price was a secondary consideration worked strongly against realism in both planning and control of expenditure.
4. *else* Again, the report suggests very clearly that, within the Procurement Executive itself, it is all too easy to make the working assumption in the Controllerates that control is someone's function and that the prime duty is to get what the "customer" requires. I agree with the team on the importance of the project

manager and on the need for a revolutionary change (ie to cash) in the basis on which he estimates.

5. On the currency for planning and control, it seems plain that the defects of financial control were acceptable as long as the overall effect was to underspend the annual budget. The annual budget itself was of less significance than the volume to be achieved over a much longer period. The use of volume for long-term planning and (I suspect) the general unreality of the currency in which not only those but also shorter term totals were expressed tended to create a generally unreal atmosphere. In such an atmosphere, it is inevitable that manipulating volume will seem more important, and more meritorious, than controlling cash flow.

6. I therefore wholly agree with the emphasis the team places on realism in adjusting the intended programme of expenditure to the budget available. Cash as the currency for planning and control is of prime importance in this. If staff are working in a currency which bears very little relationship to the real world, they are bound to lose touch with reality. Build up budgets in terms of volume by all means, but express these in cash and monitor the resultant cash plan. And keep the period of forward budgets as short as possible.

7. On the organisation of planning and control, I am struck by the degree to which - despite what a hostile observer might regard as the Ministry's tendency to play the financial game by some rules of its own devising - the procurement system may still fail to give value for money. Some of the main points are I think these:

a. The failure to establish a properly disciplined relationship with contractors so that, despite the immense importance of defence as a customer, the Ministry has too often allowed itself to go cap in hand to suppliers. The team's proposals will help, but the Ministry will need to be hard-headed in drawing up new contracts and in changing old ones.

b. The very long lead time required for the replenishment of supplies. I agree with the team that advance planning by project and commodity managers could achieve substantial increases in flexibility.

c. The degree to which postings to finance staffs are both regarded and treated as being like any other postings, so that people neither build up nor practise the expertise required. I suspect that the same may be true of staff working in contracts and project management.

d. The degree to which cash planning and control have been made the responsibility of the very top of the Ministry, instead of being well distributed down to line management. This will be redressed by the

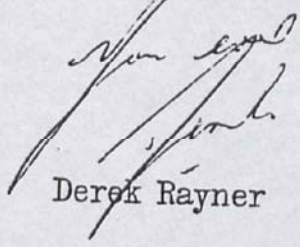
CONFIDENTIAL

team's recommendations on cash and responsibility. But I should like to see maximum delegation to line management, as the present concentration on the heads of the Ministry is both unworkable and damaging.

8. Finally, a word about some of the implications of the team's views on "running a vast procurement programme within an inflexible annual budget" (para. 601). It is interesting that the team do not return to the charge on the annuality rule in their recommendations but instead propose a search for more in-year flexibility. I am all for that, but I would not exclude the possibility of year-on-year flexibility. It has always seemed to me that defence procurement is a singularly inapt area in which to expect all the money voted for a particular year to be spent in that year. But I think that either a general relaxation of the rule or a relaxation specific to the Ministry would have to depend on showing that everything possible had been done to make the procurement business thoroughly efficient.

9. As you know, there is no alternative in good business practice to expressing one's expectations of staff in unmistakably clear terms, while also making room for business to grow by their initiative, and to ensuring that what one wants done is done. In defence procurement, there are many separate businesses. These require the knowledge, expertise and disciplines associated with a good business. As the report shows, many of these have operated on a regime unfriendly both to good planning and control and timely delivery. The team's recommendations will go a long way towards changing this, but I think that the desired changes will take place all the sooner if the Controllers and their staff are treated and see themselves as being not only in business, but in big business at that.

10. I am copying this to Tom Trenchard, Frank Cooper, David Cardwell and Bill Reeves.


Derek Rayner

DEPARTMENT OF THE
ENVIRONMENT
2 MARSHAM STREET
SWIP 3EB



Telephone
01 - 212 8001

*With the Compliments of the
Secretary of State for the Environment*



2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/16245/81

Your ref:

16 SEP 81

See below

R

17/9

I was particularly pleased to see a copy of the CPRS Report of 13 July 1981 on Contracting Out Public Sector Functions as it shows clearly both the considerable progress which has been made and the benefits gained from contracting out.

In my own Department I have been pressing ahead on several fronts and have recently agreed proposals to close 4 of the 7 existing PSA vehicle fleet maintenance workshops (Annex A to the Report item 14a) and put their work to the trade which should achieve an overall saving of some 80 staff. I have also agreed that the PSA London Furniture workshop services can be provided by private contractors, retaining only a small team to service the Palace of Westminster. This would achieve a further reduction of some 190 staff.

Within DOE (Central) progress has also been made on the transfer of the Hydraulics Research Station to the private sector (Annex item 10c). I have set up a Shadow Board under the chairmanship of Sir Alan Harris to act on behalf of the prospective company. I believe that the Station's commercial prospects are good, that it will benefit from the discipline of the private sector, and that within a few years it will become self-supporting.

Pending the outcome of the studies on the long term future of the Ordnance Survey (Annex A item 15) I am, as you know, proposing to set up a trading fund for the Survey with a published trading account and further progress is being made on proposals for a new statutory body whose staff would no longer be civil servants, to be responsible for the audit of local authorities in England and Wales.

As recommended by the CPRS, I propose to maintain my own close personal interest in contracting out and to conduct an internal review of progress in the Spring of next year.

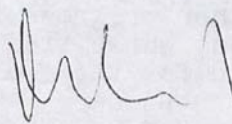
I will also be taking steps to ensure that the relevant officials are aware of the CPRS recommendation that departments who are having difficulty in contracting out because of union resistance should approach CSD for advice and help as appropriate.

In addition I have noted the final CPRS recommendation relating the wider dissemination of the results of the DOE (PSA) Rayner Scrutiny Programme on PSA Custody Services. I have recently received the final Report of this scrutiny and official level consultations with CSD, another user Department and the Security Service on the implementation of its recommendations are about to begin.

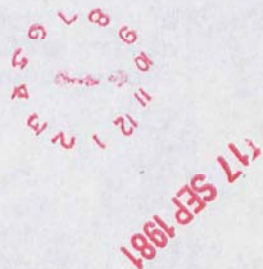
Turning to Part II of the report, contracting out by local authorities is, of course, a matter on which individual authorities must reach their own decisions, but I am, as the report points out, taking a number of steps to promote positive consideration of its potential scope and benefits. The new legislation on direct labour organisations which we brought into operation last April requires local authorities to invite tenders for a substantial proportion of their construction and maintenance work. The accounting disciplines it imposes will also make them increasingly conscious of the relative costs of using direct labour and private sector contractors, and will enable properly costed choices to be made. My department will encourage and accelerate this process by appropriate guidance. More generally, I am expecting to receive shortly the final report of the study which my Department has commissioned on pricing and methods of service delivery in the local environmental services. It will, I hope, provide more information about recent experience of contracting out provision of local services and I shall be considering how best to take the CPRS recommendations forward in this light.

I am copying this letter to the Prime Minister and other members of the Cabinet. Copies also go to Sir Robert Armstrong and John Hoskyns and Robin Ibbs.

you see



MICHAEL HESELTINE





Prime Minister.

There is no need for you to read the document for publication at Stage 'A'.

Advice from Mr. Presley is at Stage 'B'.

Consider what I should write on the basis of the report at Stage 'C'?

Yes - I inspected on

The initial report - see draft note. 18ix

MO 8

PRIME MINISTER

FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

My predecessor informed you on 31st December last year of two studies of financial management in the Ministry of Defence.

2. The second study, on financial responsibilities and accountability is well advanced and will be completed this autumn. The first study concerning financial control procedures, was completed at the end of March. The Department was greatly helped by the participation of accountants (from Arthur Andersen) and also by the advice of Sir Derek Rayner, who took a close interest.

3. I have studied the report and found its analysis most thorough and constructive. My officials have consulted the Treasury and other Departments. The report has already led to some important changes in our procedures.

4. The report detected four main areas of weakness: in the reliability of the Department's forecasts of cash flow: in the use of secondary but significant indicators of expenditure trends: in the relationship between the Department's contractual commitments and available financial resources: and, most importantly, in the definition of responsibilities within the Department for controlling annual spending. I attach an Annex listing the conclusions and recommendations which the team drew from their diagnosis.



5. I fully support the general thrust of these conclusions and recommendations. I endorse the need for clearer definition of responsibilities within the Department for control of expenditure within the cash limit and for much greater emphasis on the monitoring and control of expenditure in terms of cash.

6. I agree too with the objective of improving our estimating and forecasting sufficiently to allow the Department to manage the programmes with much smaller discounts for realism (the block adjustments referred to in recommendation 3) than have been used in the past. The nature of the defence programme does not make this easy to achieve. But discounts are smaller this year than last and we have set ourselves the aim of a further reduction in 1982/83.

7. We are evaluating the more detailed recommendations, and have reservations about some of them. Our reducing staff numbers are an important constraint and we may have to be severely selective in the changes we introduce. But I am determined that our study should be pressed forward positively and that it will result in real improvements. None of this is helped by the inflexibility of our annual accounting conventions.

8. I have considered the question of publication. I am greatly in favour of publication and would not regard the candour of the report's analysis as an obstacle. The best way of achieving this would, I believe, be an open government document which would explain the reason for the report, summarise its contents and state our



'action plan'. I have had such a document prepared and a copy ^{- flag 'A'} is being sent to your office, and to those of other recipients of this minute. I have decided, subject to any contrary views, that the date of publication should be in mid-October, probably the week after the Party Conference.

9. There is one final point I should make. The report (Conclusion 1) correctly, and consistently with Government policy, makes avoidance of overspending cash limits the first priority objective of financial control. But we must recognise the implication of this, that, because of the inevitable margin of uncertainty in forecasting expenditure, particularly on our complex equipment programme, we must plan for underspend and run the risk of wasting resources allocated to defence, unless new and much more effective methods of fine tuning can be developed. Fine tuning within the year is part and parcel of good management, and as the report recommends, we must seek to improve our performance in this respect. But I believe that there are practical limits to what can be achieved by these means, and that much greater flexibility between years is a necessity. The report discussed this question of annuality (Conclusion 8) and reference is made to it in the open government document (paragraphs 36, 42 and 44). The topic has been well aired before Select Committees and discussions between my Department and the Treasury continue though little progress has been made. I am looking for a positive and constructive conclusion and I shall return to this subject at a later date.



10. I am sending copies of this minute to Geoffrey Howe, Keith Joseph, Christopher Soames, John Biffen and Leon Brittan, who saw Francis Pym's minute of 31st December, and also to Michael Heseltine, who has an interest because of the involvement of the Property Services Agency, and to Francis Pym, who initiated the study. Copies also go to Sir Derek Rayner and Sir Robert Armstrong.

FW .

Ministry of Defence
14th September 1981

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONSConclusions

1. The first priority objective of financial control in MOD is to ensure that the defence block cash limit is not overspent in any year. The second priority objective is to achieve the first objective in a way which maximises the defence capability and value for money obtained and, consistent with this, minimises underspending.
2. There is confusion in the systems [?] controllerrates as to the control total for expenditure in the financial year. This is due in the main to the imposition of large block adjustments, coupled with instructions to project managers to work to their programmes expressed at Survey prices before block adjustment. It is a widely held view in the systems controllerrates, supported by formal instructions, that they are not responsible for the control of expenditure within cash limits.
3. Departmental forecasts of outturn in 1980-81 have been inadequate.
4. Information was available in MOD which was not used by those preparing forecasts and which would have given earlier warning of the size of the impending overspend in 1980-81.
5. Insufficient attention is paid within MOD to the search for items which can be procured in greater or lesser quantity with an early effect on cash flow and can therefore be used to give a degree of in-year flexibility. This is in marked contrast to outside practice where managers respond quickly to changed circumstances. Administrative lead times on stores procurement in MOD compare unfavourably with practice in industry.



6. Present contractual procedures do not give MOD control over the timing of delivery of goods or the rate of billing. There is inadequate information from contractors of their billing intentions.
7. Outstanding contractual liability, which can be a useful indicator of future expenditure levels, had been rising steadily over the last few years up to the beginning of 1980-81.
8. Annuality restrictions bear more severely on UK central government, and on defence in particular, than on local government, nationalised industries, regional health authorities and the majority of NATO governments.

Recommendations

- ✓ 1. Responsibility for observing the cash limit, and controlling expenditure to achieve this, should be placed on Systems Controllers.
2. All monitoring and control of expenditure should be against cash ✓ (ie forecast outturn prices) rather than against Survey prices.
3. Systems controllerates' block adjustments should be limited to a maximum of 2.5% in the Estimates year.
4. A system should be devised to identify savings and addback opportunities before the start of the year and to monitor and control their use during the year. Some of these should be controlled centrally, others at project manager level.
5. In order to improve forecasting, quarterly profiles of expected expenditure should be prepared. This should be done initially in 1981-82 using simplified procedures which can be expanded in 1982-83 into a formal unified system.



6. A study should be commissioned to devise a scheme for computer support for systems controllerates.
7. Outstanding contractual liability should be monitored and analysed.
8. A new unit should be set up in the PE to give a common service to all controllerates covering analysis of FIS data, bill payments, cash profiles from contractors, OCL, material from PDAS, risk, and economic relationships affecting procurement.
9. Future contracts should where possible specify earliest delivery dates. Delivery schedules and the timing of stage payments should be revised if slippage occurs. There should also be constraints on stage and progress payments. These changes should be applied to existing contracts so far as this is sensible and attainable.
10. All the above recommendations should be implemented immediately with the exception of recommendation 3 which should be implemented for 1982-83 Estimates.



10 DOWNING STREET

From the Principal Private Secretary

11 September 1981

FINANCIAL MANAGEMENT

The Prime Minister received a presentation on 8 September on financial management, introduced by Sir Anthony Rawlinson and given by officials from the Treasury, Civil Service Department and the Department of Health and Social Security. She was accompanied by the Chancellor of the Exchequer, the Lord President of the Council, Secretary of State for Social Services, Chief Secretary to the Treasury, Minister of State, Civil Service Department and Sir Derek Rayner. The Secretary of the Cabinet, the Permanent Secretary, DHSS, the Head of the Government Accountancy Service and Clive Priestley (Sir Derek Rayner's Office) were also present.

A record of the main points made in discussion is attached.

As she said at the time, the Prime Minister was grateful to all concerned for the work which had gone into a very interesting presentation. She and her colleagues were committed to good financial management in government and to value for money in its services and operations. The necessary policies should be pursued through the Treasury, CSD and Sir Derek Rayner's Office. She attached particular importance to ensuring that officials responsible for financial management had sufficient preparation for and continuity in their posts. Good and effective succession planning was crucial to this.

I am copying this letter to Jim Buckley (Lord President's Office), Adrian Carter (Office of the Minister of State, CSD), Don Brereton (Department of Health and Social Security), Terry Mathews (Chief Secretary's Office, H.M. Treasury), David Wright (Cabinet Office), Clive Priestley (Sir Derek Rayner's Office), Tim Stevens (Department of Health and Social Security) and Alan Cooper (Department of Industry).

A. WHITMORE

J. O. Kerr, Esq.,
H.M. Treasury.

SUBJECT

cc Minister Sir

RECORD OF MAIN POINTS MADE IN DISCUSSION AT PRESENTATION ON FINANCIAL
MANAGEMENT, 8 SEPTEMBER 1981

Treasury and CSD over-view (Mr. J. G. Littler, Mr. R. W. L. Wilding)

The Prime Minister queried references to the "hostility of the environment" towards good financial management, to the improbability that management information would be used and to efforts to improve management "petering out". These seemed to suggest that the civil service had no automatic wish to do a good job and to take a pride in doing so. It was however clear, from scrutinies and other evidence, that departments had young officials who had good ideas about management matters and were capable of taking initiatives on them. Senior managers would not succeed in their task if they worked on a "top down" or excessively regulatory basis. They should rather create an atmosphere which would promote good management and in which, for example, the lessons to be learned from a particular review or scrutiny were applied more generally and good younger people were brought on fast.

Officials suggested that the environment's "hostility" lay chiefly in two circumstances. First, government pursued down many management lines a mixture of objectives (including equity and a good service for all but also the avoidance of mistakes), so that staff in the field did not receive a clear message about what was expected of them. Secondly, information about cost was so far rarely available. Prescribing standards helped in some areas of work, but much depended on keeping up the pressure on resources through cash limits and through the detailed examination of particular activities and functions, in search of both particular and general benefits.

Other Ministers said that it was difficult to reproduce in the public sector the primacy that attached ^{to} the availability of cash in the private sector. The main resource management pressures must be on money and people through the cash limits and manpower targets and must be applied well down the line. Selective examination - through scrutinies for example - was an essential part of this process. Sir Derek Rayner said that public sector management suffered severely from a lack of real knowledge about what things cost in cash terms.

/The Prime Minister

The Prime Minister made the following further points:

- (i) A good service was not necessarily the same as the most expensive service. Value for money must now be seen as one of the supreme objectives of good administration.
- (ii) It was important to identify and remove constraints on value for money, whether in particular instances or across the Service.
- (iii) Cash limits alone were not enough; the real need was to be satisfied that a particular expenditure was necessary at all.

Treasury and CSD Control in Practice (Mr. M. Prescott),
(Mr. T. J. Robinson, Mr. B. R. Morris) and Financial Control
in DHSS (Mr. G. G. Hulme)

The Prime Minister agreed with the view that one of the chief requirements for success as a Principal working on Supply Control was experience of the field in question. But it followed from this that officers should stay in post long enough to make use of the expertise they had acquired - and certainly longer than the average of 2-2½ years which now appeared to be the norm.

The Secretary of State for Social Services said that in such a large and standardised system of administration as Social Security, with its multiple local offices, data for comparing performance could be provided. The NHS was another matter since, for example, hospitals and hospital care were not "standardised". Nonetheless, the NHS could do more to scrutinise its own activities. In response to a question about the balance between professional and administrative staff in the NHS, Mr. Hulme said that some of the growth in administrative numbers was due to relieving professional staff of such work as medical records. More generally, there was now a greatly increased attention to management costs. The Secretary of State said that constant external pressure on the NHS was needed to promote good management. It did not welcome such monitoring, but he attached great importance to it as a means of getting improved value for money. Medical records was one example of a wide

/variation in

variation in efficiency between health authorities, but the practice of the best would not be generally adopted without external monitoring followed by dissemination. Good progress was being made, but the squeeze on cash was also critically important; Ministers had made a ten per cent saving in administrative costs an indispensable requirement. However, administrative costs in the NHS were proportionally lower than in similar health services abroad.

The Secretary of State agreed that it was for health authorities to decide how much to spend on each of the matters for which they were responsible, but said that their financial plans were co-ordinated by his Department, not least so that duplication between and gaps in the services could be avoided. The planning system was now so developing as to make it easier for the department to examine health authorities on their achievement of government policies as well as on their intentions for the future.

Sir Derek Rayner congratulated DHSS on the "Key facts" booklet, which he thought other departments might usefully emulate.

In further discussion the following points were made:-

- (a) The "hostile environment" referred to earlier consisted in part of a conflict between two goods, namely to be economical and to provide good services, rather than a conflict between a good (frugality) and an evil (waste).
- (b) The central and the spending departments were on the same side in wanting value for money. The centre might well have expertise and a relatively independent position which could help departments in both their own financial management and their control of other spending agencies, e.g. health authorities. These points deserved wider recognition.
- (c) But it was also true that those responsible for financial management were a "thin red line" whether in departments or at the centre. And financial management could be only partly successful if it relied on such mechanisms as cash limits. Success depended therefore on changing attitudes. Conditioning of the career expectations and

prospects of line managers upon their capacity to be economical as well as provide good standards of service must play a part in this.

- (d) DHSS was trying to produce more qualified financial managers by encouraging staff to take CIPFA examinations designed specifically to cover health and related subjects. More generally, in common with other departments, it was placing greater emphasis on the appraisal of staff through the re-designed annual confidential report form in respect of their use of resources.

Sir Derek Rayner said that getting facts about costs and cost-effectiveness to line managers was crucially important. A beginning had been made, but much more had yet to be done. Ministers observed that the messages from back-benchers which reached staff via their Ministers and also from the Parliamentary Commissioner for Administration suggested strongly that cost was usually a very secondary consideration to avoiding error. Sir Derek Rayner said that in his view it was a function of senior management to defend junior staff who had made mistakes in good faith from unreasonable criticism.

In response to a question, he said that store managers in Marks and Spencer did not need to know what profit they had made, whereas they certainly did need to know and were expected to control their costs. The assurance of good career prospects, rather than immediate promotion, was the main signal of the approval of higher management. Mr. Sharp said that, in his judgement, line managers working in a good system of management had a share in the preparation of their "budget" and were responsible, and were held to be responsible, for the costs they could control.

The Secretary of State for Social Services asked about the value added by the annual scrutiny of departmental running costs. It enabled him to ask questions about such things as telephone costs, but he did not find it of great value to him in increasing the efficiency of his department. Sir Derek Rayner said that if the Minister asked about telephone costs, it was likely that the managers of his 500 local offices would do so as well; if senior people did not ask such questions, their subordinates would not. The Chancellor
/of the Exchequer

of the Exchequer said that if the scrutiny showed up disparities between departments it was - at least - possible to ask questions. Mr. Littler said that the scrutiny needed developing beyond its present stage so that local managers asked themselves the key questions as a matter of habit; this linked with the development of management accounting to which he had referred in the presentation.

Sir Derek Rayner said that several scrutinies showed that junior staff were struggling to administer difficult systems. They had ideas on how to put things right but change would not happen unless these ideas were sought out and senior management put their weight behind them. The current scrutiny of administrative forms would provide not only most interesting reading in this respect, but some important proposals. The Chief Secretary commented that change would have more significance if seen to be of general application across the country.

The Prime Minister said that the government did not make maximum use of office machinery. As proposed changes were resisted and delayed, was it necessary for all to be negotiated centrally? The Minister of State, CSD, said that as there was no chance of a national agreement on new technology, departments were being encouraged to make their own arrangements. The Secretary of State for Social Services said that while change within departments was a matter for judgement and negotiation, it was clear that many staff would welcome new technology because they wanted to do a good job and that the unions were out of step with them.



9 out

MR WHITMORE

GD
The type on
the letter + the
record of the meeting
by
love

PRESENTATION ON FINANCIAL MANAGEMENT

I attach a draft letter for you to send to Mr Kerr in the Treasury together with a record of the main points made in discussion. I think that the record will be eagerly awaited in the three departments concerned and that it should be included with the letter. But this is of course a matter for your judgement.

2. In order to keep the record within reasonable limits I have not summarised what the "presenters" said. I have no doubt that their texts will have a wide circulation within their departments.

C PRIESTLEY

10 September 1981

Enc: Draft letter plus record

DRAFT LETTER FOR MR WHITMORE'S SIGNATURE

TO: J O Kerr Esq HM Treasury

FINANCIAL MANAGEMENT

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2. A record of the main points made in discussion is ~~annexed.~~ *Attached.*

3. As she said at the time, the Prime Minister was grateful to all concerned for the work which had gone into a very interesting presentation. She and her colleagues were committed to good financial management in government and to value for money in its services and operations. The necessary policies should be pursued ~~to action~~ through the Treasury, CSD and Sir Derek Rayner's office. She attached particular importance to ensuring that officials responsible for financial management had sufficient preparation for and continuity in their posts. Good and effective succession planning was crucial to this.

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C A WHITMORE

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cash limits and through the detailed examination of particular activities and functions, in search of both particular and general benefits.

3. Other Ministers said that it was difficult to reproduce in the public sector the primacy that attached the availability of cash in the private sector. The main resource management pressures must be on money and people through the cash limits and manpower targets and must be applied well down the line. Selective examination - through scrutinies for example - was an essential part of this process. Sir Derek Rayner said that public sector management suffered severely from a lack of real knowledge about what things cost in cash terms.

4. The Prime Minister made the following further points:

- (1) A good service was not necessarily the same as the most expensive service. Value for money must now be seen as one of the supreme objectives of good administration.
- (2) It was important to identify and remove constraints on value for money, whether in particular instances or across the Service.
- (3) Cash limits alone were not enough; the real need was to be satisfied that a particular expenditure was necessary at all.

Treasury and CSD control in practice (Mr M Prescott),
Mr T J Robinson, Mr B R Morris) and Financial Control in
DHSS (Mr G G Hulme)

5. The Prime Minister agreed with the view that one of the

chief requirements for success as a Principal working on Supply Control was experience of the fields~~s~~ in question. But it followed from this that officers should stay in post long enough to make use of the expertise they had acquired - and certainly longer than the average of 2 - 2½ years which now appeared to be the norm.

6. The Secretary of State for Social Services said that in such a large and standardised system of administration as Social Security, with its multiple local offices, data for comparing performance could be provided. The NHS was another matter since, for example, hospitals and hospital care were not "standardised". Nonetheless, the NHS could do more to scrutinise its own activities. In response to a question about the balance between professional and administrative staff in^{the} NHS, Mr Hulme said that some of the growth in administrative numbers was due to relieving professional staff of such work as medical records. More generally, there was now a greatly increased attention to management costs. The Secretary of State said that ~~a~~ constant external pressure on the NHS was needed to promote good management. It did not welcome such monitoring, but he attached great importance to it as a means of getting improved value for money. Medical records was one example of a wide variation in efficiency between health authorities, but the practice of the best would not be generally adopted without external monitoring followed by dissemination. Good progress was being made, but the squeeze on cash was also critically important; Ministers had made a ten per cent saving in administrative costs an indispensable requirement. However, administrative costs in the NHS were proportionally lower than in similar health services abroad.

7. The Secretary of State agreed that it was for health authorities to decide how much to spend on each of the matters for which they were responsible, but said that their financial plans were co-ordinated by his Department, not least so that duplication between and gaps in the services could be avoided. The planning system was now so developing as to make it easier for the department to examine health authorities on their achievement of government policies as well as on their intentions for the future.

8. Sir Derek Rayner congratulated DHSS on the "Key facts" booklet, which he thought other departments might usefully emulate.

9. ~~The other main points made in~~ ^{Review} discussion ^{was following points} were ~~as~~ ^{was} follows.

in set 12.

a.
10. The "hostile environment" referred to earlier consisted in part of a conflict between two goods, namely to be economical and to provide good services, rather than a conflict between a good (frugality) and an evil (waste).

b.
11. The central and the spending departments were on the same side in wanting value for money. The centre might well have expertise and a relatively independent position which could help departments in both their own financial management and their control of other spending agencies, eg health authorities. These points deserved wider recognition.

c.
12. But it was also true ^{that} those responsible for financial management were a "thin red line" whether in departments or at the centre. And financial management could be only

partly successful if it relied on such mechanisms as cash limits. Success depended therefore on changing attitudes. Conditioning of the career expectations and prospects of line managers upon their capacity to be economical as well as provide good standards of service must play a part in this.

^{d.}
13. DHSS was trying to produce more qualified financial managers by encouraging staff to take CIPFA examinations designed specifically to cover health and related subjects. More generally, in common with other departments, it was placing greater emphasis on the appraisal of staff through the re-designed annual confidential report form in respect of their use of resources.

^{10.}
14. Sir Derek Rayner said that getting facts about costs and cost-effectiveness to line managers was crucially important. A beginning had been made, but much more had yet to be done. Ministers observed that the messages from back-benchers which reached staff via their Ministers and also from the Parliamentary Commissioner for Administration suggested strongly that cost was usually a very secondary consideration to avoiding error. Sir Derek Rayner said that in his view it was a function of senior management to defend juniors^{mark} who had made mistakes in good faith from unreasonable criticism.

^{11.}
15. In response to a question, he said that store managers in Marks & Spencer did not need to know what profit they had made, whereas they certainly did need to know and were expected to control their costs. The assurance of good career prospects, rather than immediate promotion, was the

main signal of their st approval ~~given by~~ higher management. Mr Sharp said that, in his judgement, line managers working in a good system of management had a share in the preparation of their "budget" and were responsible, and were held to be responsible, for the costs they could control.

¹² 16. The Secretary of State for Social Services asked about the value added by the annual scrutiny of departmental running costs. It enabled him to ask questions about such things as telephone costs, but he did not find it of great value to him in increasing the efficiency of his department. Sir Derek Rayner said that if the Minister asked about ~~the~~ telephone ^{costs}, it was likely that the managers of his 500 local offices would do so as well; if senior people did not ask such questions, their subordinates would not. The Chancellor of the Exchequer said that if the scrutiny showed up disparities between departments it was - at least - possible to ask questions. Mr Littler said that the scrutiny needed developing beyond its present stage so that local managers asked themselves the key questions as a matter of habit; this linked with the development of management accounting to which he had referred in the presentation.

¹³ 17. Sir Derek Rayner said that several scrutinies showed that junior staff were struggling to administer difficult systems. They had ideas on how to put things right but change would not happen unless these ideas were sought out and senior management put their weight behind them. The current scrutiny of administrative forms would provide not only most interesting reading in this respect, but some important proposals. The Chief Secretary commented that change would have more significance if ^f seen to be of general application

across the country.

18. ^{14.} The Prime Minister said that the government did not make maximum use of office machinery. As proposed changes were resisted and delayed, was it necessary for all to be negotiated centrally? The Minister of State, CSD, said that as there was no chance of a national agreement on new technology, departments were being encouraged to make their own arrangements. The Secretary of State for Social Services said that while change within departments was a matter for judgement and negotiation, it was clear that many staff would welcome new technology because they wanted to do a good job and that the unions were out of step with them.



cc HMT
CSD
CO

10 DOWNING STREET

From the Private Secretary

SIR DEREK RAYNER
CABINET OFFICE

The Prime Minister was grateful for your minute of 4 September. She is content with your proposals for three new topics for scrutiny in 1981.

I am sending a copy of this minute to John Kerr (HM Treasury), Jim Buckley (CSD) and David Wright (Cabinet Office).

T. P. LANKESTER

9 September 1981

PRIME MINISTER

Presentation on Departmental Responsibilities for the Control of Expenditure

You will remember that in July you agreed that we should set up two presentations on financial management and the control of expenditure. The first was to concentrate on the role of the central departments. The second was to look at the control of running costs in a large department (in fact you chose DOE). The first of these presentations - the one about the role of the central departments - will be given at 1500 tomorrow in the large dining room. I attach (A) the brief from Sir Derek Rayner's office, (B) the minute from Sir Derek Rayner which suggested this presentation, and (C) my letter to the Treasury describing the sort of presentation that you and Sir Derek had in mind.*

The presentation itself will be given by Sir Anthony Rawlinson, Mr. Littler (Treasury), Mr. Wilding (CSD), Mr. Morris, Mr. Robinson and Mr. Prescott (Principals from the CSD and Treasury) and Mr. Hulme (Principal Finance Officer of the DHSS). The Chancellor, the Chief Secretary, Barney Hayhoe, Patrick Jenkin, Sir Robert Armstrong, Sir Derek Rayner, Sir Kenneth Stowe, and Mr. Priestley will also attend.

WPSR

* The DHSS have also sent me today the folder of key facts about their programmes or pay D. You may find it helpful to glance at this before the presentation.

7 September 1981

HL

7/8

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PRIME MINISTER

PRESENTATION ON FINANCIAL MANAGEMENT, 10 DOWNING STREET,
TUESDAY 8 SEPTEMBER

ATTENDANCE, BACKGROUND AND PURPOSE

The Chancellor of the Exchequer, the Secretary of State for Social Services* and Sir Derek Rayner will be present. I shall be in attendance to take the note.

2. The immediate cause of this presentation is the doubt you expressed in May on the draft paper prepared by the Chancellor and Lord President on the control of expenditure, namely whether the central departments had

"sufficient staff of the right experience and training to promote and monitor the best possible control systems in departments" (see letter at Annex I).

3. As you then acknowledged, there is much going on. This includes:

- succession planning for key management posts
- work on the meaning of and training in financial management and on the fitness of the existing framework of accounting for the Government's policies for better management
- the scrutiny of the Treasury's Specific Expenditure Divisions
the assignments by Cooper & Lybrand and Touche Ross in MAFF and DOI respectively as a result of your intervention on internal audit
- the internal audit reform programme

* and Minister of State, CSD, vice Lord President



- the impending DOE presentation to you on the control of running costs.

4. It is unlikely that you will want to suggest any new initiatives, therefore. But this is the first time in many years that the Service has thought with discipline about what "financial management" means in Government. You will accordingly want to see what is now going on pulled together to get results on the ground. This means that you will be looking for a combination of short- and long- term action to build up greater confidence on the part of Ministers and others in financial management: in short, to clarify and concentrate responsibilities, equip people with the training and the facts they need to do a good job and to bite into the long-standing nonchalance about value for money by changing the pattern of awards and incentives as necessary.

5. To a degree, a paper coming to you shortly from the Lord President and Sir Derek Rayner on the strategy for central "efficiency" exercises in 1982 will help. It will propose among other things Government-wide scrutinies of the management of such self-contained units as research and development establishments and of how to get better systems for controlling running costs (in the wake of the DOE work noted above). But the existing work on financial management which will be outlined at the presentation tomorrow will need driving forward with a single hand and with vigour and determination. Mr Cassels's appointment will help you to secure that this is so.

SHAPE AND HANDLING OF THE PRESENTATION

6. Full details are given in Annex II. I have suggested there questions which you might like to have in mind.

7. Sir A Rawlinson is the compere. He will introduce six other officials:



- (1) Treasury/CSD strategy or overview: Messrs Littler and Wilding: 20 minutes.
- (2) Treasury/CSD tactics or detailed control: Messrs Prescott, Robinson and Morris: 20 minutes.
- (3) DHSS arrangements: Mr Hulme: 15 minutes.

8. Despite warnings from your office and this one, the presentation is lengthy. Officials have been asked to be as brief as possible, consistent with doing justice to the subject. They will no doubt be nervous. The presentation will need firm control. You may like to begin by welcoming the presenters and by saying that

- (1) You and your colleagues would prefer to be pointed to the main issues rather than given detailed descriptions of systems; and
- (2) you particularly want to hear what Messrs Prescott, Robinson and Morris from the central departments and Mr Hulme from DHSS have to say on what financial management means in practice.

9. The presentation ^{including questions} lasts ninety minutes. Officials will be ready for questions after each section. I suggest that you either put questions between each of the three sections or, in two blocks only, the first after all the Treasury/CSD contributions and second after Mr Hulme's.

Reminder

10. I have suggested in Annex II some possible questions for you to have in mind.

ISSUES

11. There is no single form of "financial management" in Government. But it boils down to:

- (1) What all departments have to do, ie the common core of procedures for Cabinet and Parliamentary planning and control of public expenditure through the Public Expenditure Survey, Estimates, Cash Limits, Vote Accounting etc; and
- (2) what each department has to do, ie its particular financial business, whether transferring money to individuals or other bits of the public sector, or buying weapon systems, or investing in support of private industry.

12. Some of this is highly political: the final "management" decisions are for Ministers. A current example is the new torpedo. But much of it is for the Civil Service to deal with, year in, year out. The obvious example is the cost of government. And Ministers usually have no choice but to depend in all respects on the quality of their officials' financial judgment, experience of the world, systems etc.

13. The essential need in all this is not a half-hearted aping of private sector practice. It is understanding and practising the disciplines necessary for good financial management in Government.

14. Cash limits, cash as the basis for planning and retrenchment are changing things. But scrutiny and other evidence shows that there are still great problems about cost-consciousness, cost-responsiveness, value for money and the relationship between our transitory finance staff and the other side's experts.

15. The questions I have suggested in Annex II are about the PEOPLE and the TASKS of financial management in Government. Officials have been asked to be candid about our successes, failures and things that are still in the balance to help you and your colleagues see where we should be putting the main effort in the future.

ANNEX II

PRESENTATION ON FINANCIAL MANAGEMENT, 8 SEPTEMBER 1981

AGENDA AND QUESTIONS

1. INTRODUCTION (1 minute)

Sir Anthony Rawlinson (55), Second Permanent Secretary, HM Treasury, responsible for Public Services Sector (including theory and practice of Treasury control over public expenditure).

2. OVER-VIEW "OF WHAT WE ARE DOING AND TRYING TO ACHIEVE IN RELATION TO FINANCIAL CONTROL AND MANAGEMENT" (20 minutes)

Mr Geoffrey Littler (51), Deputy Secretary, HM Treasury; responsible for last 18 months - through Sir A Rawlinson - for the theory and design of public expenditure control. Recently devised cash as the basis for planning.

Mr Richard Wilding (52), Deputy Secretary, CSD; since 1976 responsible for the Management Group (Manpower; Functions and Programmes; Management and Organisation; and the Central Computer and Telecommunications Agency).

Possible questions

What are the marks of good/bad financial management?

What are we doing to improve financial management in departments?

Where are we succeeding/failing?

Who is pulling things together?

What are we doing about "amateurism"? How many PFOs/ financial managers have appropriate qualifications or training?*

When will "succession planning" make a difference?

* The CS College has a short course for existing senior finance staff in preparation, but the question also applies to people now entering the Service who will be managers at the end of the century.

3. WHAT DO TREASURY AND CSD CONTROL MEAN IN PRACTICE NOW?
WHAT WOULD THEY MEAN IN FUTURE? (20 minutes)

Mr Michael Prescott (33/34), Principal, Health Services Division, HM Treasury; responsible for last 2 years for Health and Personal Social Services.

Mr Trevor Robinson (33), Principal, Manpower 3 Division, CSD: responsible for last 15 months for control of manpower and related resources in Inland Revenue and DHSS.

Mr Brian Morris (40), Senior Principal, Functions and Programmes 2 Division, CSD: responsible for last 7 months for cost-cutting studies, functional reviews, work measurement and transport. (Previously Principal in Treasury responsible for education expenditures.)

Possible questions

How do you know whether the department you are working on has a good/bad system?

How much of what you do makes a difference? What power do you have?

Is your sort of job sought after in Treasury/CSD?

Is there anything that would make you or Treasury/CSD more effective?

What are you trying to achieve? What is a recent success/failure in your work?

4. FINANCIAL MANAGEMENT AND CONTROL SYSTEMS IN DHSS (15 minutes)

Mr Geoffrey Hulme (50), Deputy Secretary, DHSS - Principal Finance Officer since early this year.

Possible questions

What difference will cash planning make?

Who are the key "financial managers" inside and outside DHSS?

Are you satisfied/dissatisfied with financial management in DHSS and the NHS?

Can we use the scrutiny technique in the NHS?



POSSIBLE OUTCOME

16. Depending on your response to what you hear, I suggest that you make the following points in summing up:

- (1) "Grateful to all concerned. Have heard some interesting things."
- (2) "A lot going on. Will look to Mr Cassels on arrival to keep me in touch with progress and, more important, action."
- (3) "Clearly necessary to take stock later in the year about where we are going and what we are trying to achieve (after Cooper & Lybrand, Touche Ross). We must have a well thought-out plan covering both people and tasks."
- (4) "PEOPLE crucially important. Would like to see a plan to get these things right:
 - Move away from amateurism. Develop status of financial management, eg proper career prospects for the qualified.
 - Select and train future key financial managers thoroughly, especially Principal Financial Officers and those policy/other staff dealing with big financial issues, eg investment.
 - To get long-term change, train new graduate entry to the Service (Administration Trainees) thoroughly. No room for cynicism about money/value for money in preparing tomorrow's managers. Will ask Mr Cassels to bring forward proposals on this.



- Remove impediments to everyone's understanding of the importance of financial management/value for money. Make increasing practice of rewarding success. More generally, change pattern of rewards/incentives/penalties as necessary."

- (5) "TASKS of financial management also important."
- (6) "Don't want to say much about SYSTEMS, but clear that we want arrangements which make people's responsibilities clear and give them the facts they need and ensure that they are used."

Sp

C PRIESTLEY
7 September 1981

Encs: Letter of 14 July, Annex I
Agenda and questions for presentation, Annex II

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10 DOWNING STREET

14 July, 1981

Mr. Buckley ^{B3}

Please speak.
Mr. P. [unclear]
Mr. Thomas
Mr. Fallon

To see with P.S. please.
From the Private Secretary

Sir Derek Rayner ✓

To see.

9
15. vii. 81

[Signature]
16. vii. 81

(A)

Dear John

Control of Expenditure: Departmental Responsibilities

The Prime Minister was grateful for the comments made by the Chancellor of the Exchequer, the Lord President of the Council and Sir Derek Rayner in response to her request for advice on the staffing of the central departments (my letter to you of 21 May).

The Prime Minister takes the point and welcomes the fact that there is a lot going on. She also notes that there is something of a chicken and egg problem here in that providing training and experience for the staff of central and other departments depends on analysing what is meant by "financial management" in government and the skills of which it consists, both generally and in relation to particular departmental activities.

The Prime Minister believes that prompt action to deliver the changes required will be essential and she agrees with the Chancellor's reference to the possible need to bring in help from outside, whether in defining what has to be done to up-grade financial management or to help with the up-grading itself. For example, she would envisage that it might be necessary as a start to mount a crash programme, through the Civil Service College and training institutes outside government, to train people in the disciplines of good financial and resource management.

The Prime Minister has said that she would find it helpful to receive a presentation on these matters during September when some of the thinking and analysis already in hand are further advanced. She would like such a presentation to cover:-

/-

An over-view

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- 2 -

- An over-view, perhaps by senior Treasury and CSD officials, of what we are doing and trying to achieve in relation to financial control and management.
- What Treasury and CSD control means in practice now and would mean in future (brief presentations by Principals from the Treasury and CSD).
- A presentation on the financial management and control system in a large department: the Prime Minister has suggested that the Principal Finance Officer of the DHSS might accept this task.

The Prime Minister would be grateful if the Chancellor or the Chief Secretary would set in hand arrangements for such a presentation, in consultation with the Lord President, the Secretary of State for Social Services and Sir Derek Rayner. A possible date for this presentation would be 1500 hrs on Tuesday, 8 September. The Prime Minister would, of course, like the Chancellor, the Lord President, the Chief Secretary, Mr. Jenkin and Sir Derek Rayner to accompany her on this occasion if they are free to do so.

I am copying this letter to Jim Buckley (Lord President's Office), Don Brereton (DHSS), Terry Mathews (Chief Secretary's Office) Clive Priestley (Sir Derek Rayner's Office), and David Wright (Cabinet Office).

yours
Willie Rickett

A J Wiggins, Esq
HM Treasury

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Seen by CAW.



DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 ext 7550

7 September 1981

W Rickett Esq
10 Downing Street
London SW1

Dear Rickett

PRESENTATION TO THE PRIME MINISTER ON 8 SEPTEMBER 1981

In my presentation on financial management in the DHSS I shall need to give some account of what our businesses are about. To save time at the presentation, I thought it would be helpful to bring together the financial bare-bones into the attached booklet, to which I shall refer. Though it is not essential to do so, the Prime Minister and others attending the presentation may wish to glance at it in advance.

I enclose five copies and have also sent copies to the offices of the Chancellor, Chief Secretary and Mr Heyhoe, as well as Sir Derek Rayner and other participants.

Yours sincerely
G G Hulme

G G Hulme

D

Department of Health & Social Security

HANDBOOK OF KEY FACTS

Presentation to Prime Minister

September, 1981

THE DHSS BUSINESSES

This note sets out some of the key facts about five different businesses with which DHSS is concerned. Further information about the three biggest of these is on the pages following: all figures are estimated 1981-82 cash spending, in £ million.

SOCIAL SECURITY⁽¹⁾

pages..3-8....

Scale:

- cash benefits £26,253
- administration & operational costs £990

Management:

- directly managed by DHSS
- decentralised operations through network of central, regional and local offices.

Financial control:

- central control of benefit eligibility through detailed legislation; total expenditure depends also on number of beneficiaries

HOSPITAL & COMMUNITY HEALTH SERVICES

pages..11-17...

Scale:

- current expenditure £7,545
- capital expenditure £630

Management:

- managed through 14 Regional + 90 Area Health Authorities (to be reorganised next Spring into 193 District Health Authorities) operating in a framework of national policies + guidelines.
- operations highly ^{de}centralised through hospitals, clinics and health professionals.

Financial control:

- total spending controlled through cash limits.

(1) Social Security figures are GB throughout; all others relate to England only.

FAMILY PRACTITIONER SERVICES

page 10.....

Scale:

- gross expenditure £2,400
- charges to patients £250

Management:

- services provided by independent contractors
eg GPs, dentists, opticians, pharmacists.

Financial control:

- contracts negotiated by DHSS & administered by
90 local Family Practitioner Committees; regulation
of drug prices & directly reimbursable expenses.

CENTRALLY FINANCED SERVICES

Scale:

- total cost £450

Management:

- covers many different services eg 4 Special
Psychiatric hospitals, specialised laboratories,
wheelchairs, with a variety of management
arrangements.

Financial control:

- spending mainly controlled through cash limits

PERSONAL SOCIAL SERVICES

Scale:

- spending depends on LA decisions about £1,900
- income from recipients about £230
- joint finance from NHS £75

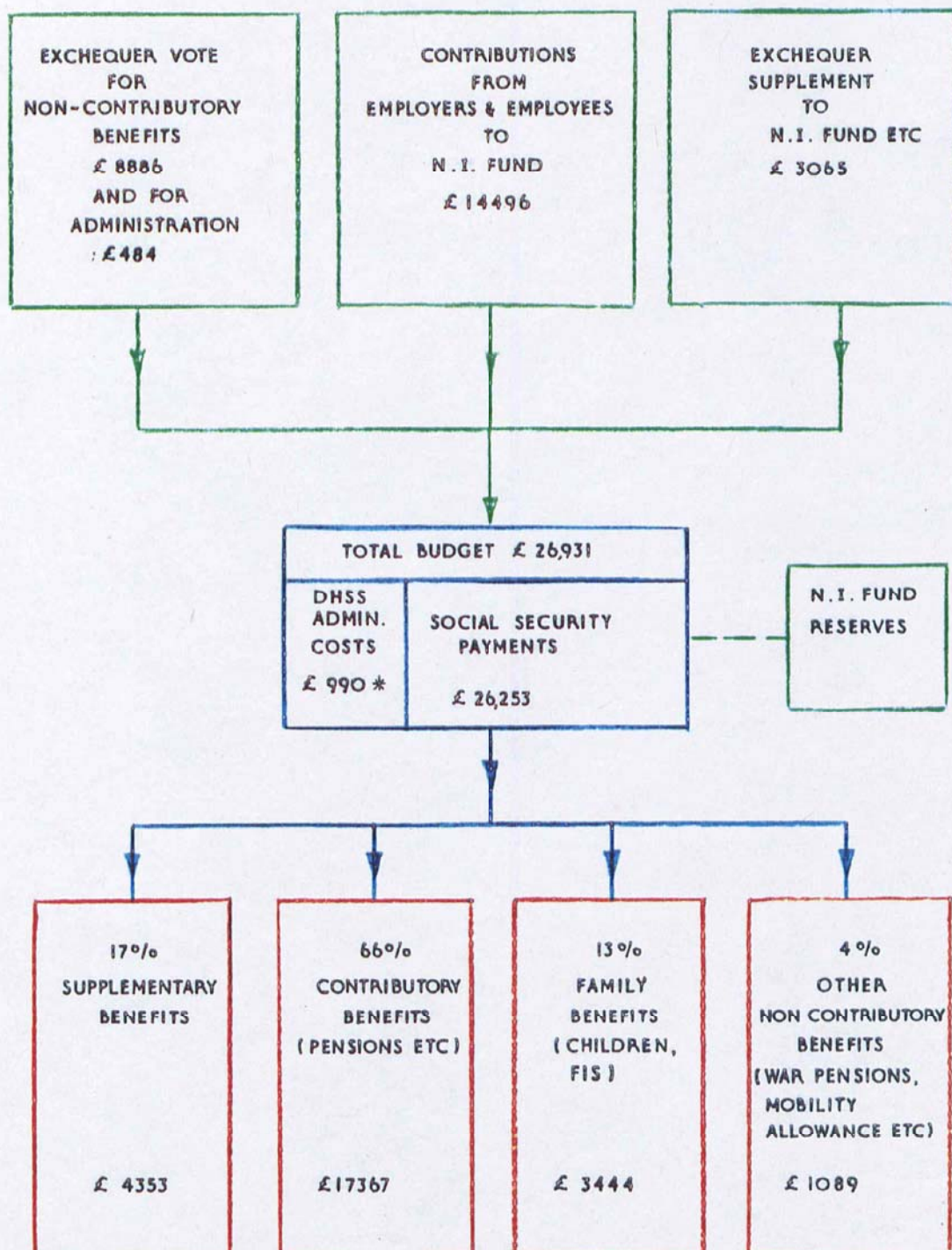
Management:

- local authorities responsible for services
within framework of national policies and
guidelines.

Financial control:

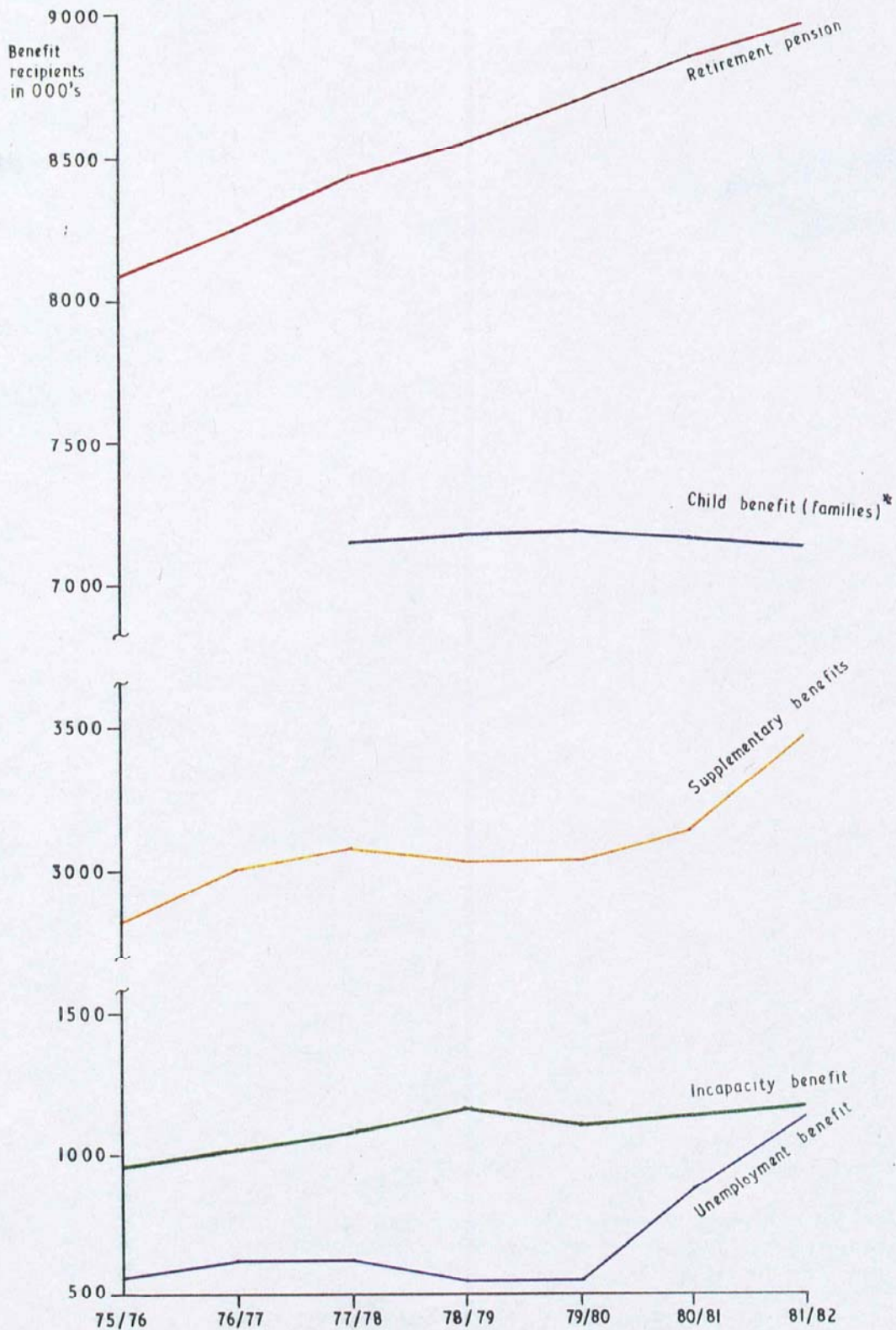
- cash limits on total of Rate Support Grant and
on capital expenditure.

SOCIAL SECURITY OVERVIEW 1981-82



* DOES NOT INCLUDE ADMINISTRATIVE COSTS INCURRED BY OTHER GOVERNMENT DEPARTMENTS (£ 435 M). TOTAL ADMINISTRATIVE COSTS ARE 5% OF SOCIAL SECURITY PAYMENTS.

ESTIMATED AVERAGE NUMBERS RECEIVING BENEFIT AT ANY ONE TIME
 (Source CMD 8175)



* Child benefit first introduced 1977/78 for all children

SOCIAL SECURITY

INPUTS

National Insurance Fund income

- Employers pay	£8,116
- Employees pay	£6,052
- Self-employed pay	£328
- Treasury supplement, interest, etc	£3,065

£17,561

General taxation provides

- Pension benefits (non-contributory)	£1,089
- Supplementary benefits	£4,353
- Family benefits	£3,444

£8,886

Administration. Costs are
incurred on

- Manpower	£699
- Computers	£27
- Adjudication and advisory services	£22
- Agency payments, Post Office, etc	£240
- Miscellaneous	£2
	<u>£990</u>

Less payment from N.I.
Fund £471 and other
receipts

£506

Net

£484*

£484

*Does not include direct HQ staff costs of
Health and PSS work - about £70

PROCESSES

National Insurance Contributions Records

- 53 million accounts are maintained at Newcastle C.O.

New claims to benefits in 1980 (millions)

- Retirement Pension	0.7
- Supplementary Benefits	5.75
- Sickness and Invalidity Benefit	9.3
- Injury Benefit	0.5
- Unemployment Benefit	5.1
- Child Benefit	0.9

Payments made in a year (millions)

- by order book	1,000
- by giro cheque	125
- by payable order	10

Reviews of existing awards (millions)

- Retirement pension	3.8
- Child benefit	4.0
- Supplementary benefit	12.9

OUTPUTS

Contributory benefits

- Retirement pension	£11,980
- Unemployment benefit	£2,004
- Sickness, Invalidity and Injury benefit	£2,383
- Widows benefits	£709
- Others	£291

£17,367

Non-contributory benefits paid

- War Pensions	£476
- Supplementary Benefit	£4,353
- Child Benefit	£3,385
- Attendance Allowance	£280
- Mobility Allowance	£161
- Others	£231

£8,886

Client Group benefit expenditure

- on the elderly	£13,400
- on the disabled and long term sick	£2,840
- on short term sick	£800
- on the unemployed	£3,780
- on widows and orphans	£970
- on the family	£4,510

£26,300

SAVINGS IN SOCIAL SECURITY PROGRAMME SINCE GOVERNMENT TOOK OFFICE
Approximate savings in 1982-83

SS Act 1980

Keeping pensions and long-term benefits in line
with prices rather than the higher of prices
and earnings 500

Deferring up-rating by two weeks: 100

SS (No.2) Act 1980

i	5 per cent abatement	}	
ii	'Freezing' Retirement pensioners' earnings rule		
iii	Changes to "waiting days" and linking		
iv	Abatement of unemployment benefit for occupational pensioners over 60		500
v	Abolition of earnings related supplement		
vi	Reduction of supplementary benefit for strikers families		

Campaign against fraud and abuse 50

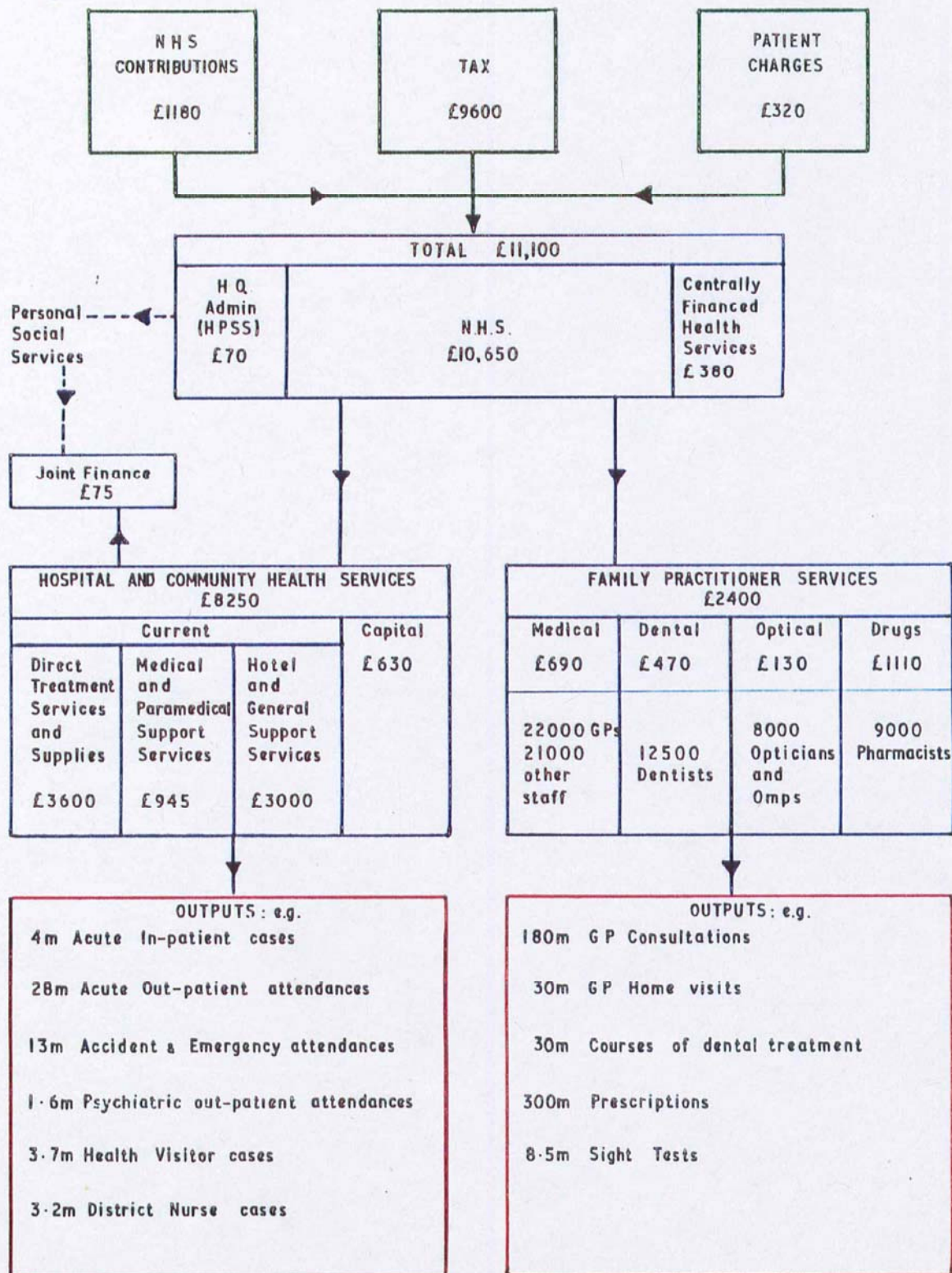
Up-rating national insurance child dependency
addition by legal minimum 50

SS Act 1981

Recovery of one per cent overshoot on social security 200

£1,400

N.H.S. OVERVIEW 1981-82



FAMILY PRACTITIONER SERVICES

General Medical Services

- cost nearly £700 million
- about 22,000 GPs
- about 21,000 full-time equivalent ancillary staff (nurses, receptionists etc) employed by GPs
- over 180 million patient consultations per year
- 30 million home visits by the GP

General Pharmaceutical Services

- cost to public expenditure about £1,100 million
- charge income about £90 million
- exemptions for the elderly, the chronic sick, children, pregnant and nursing mothers, low incomes, war pensioners
- over 300 million prescriptions dispensed

General Dental Services

- cost to public expenditure nearly £350 million
- charge income about £120 million
- exemptions for children, pregnant and nursing mothers, low incomes
- about 12,500 general dental practitioners
- about 30 million courses of dental treatment

General Ophthalmic Services

- cost to public expenditure about £90 million
- charge income about £40 million
- exemptions for children, low incomes
- about 8,000 opticians and doctors
- about 8.5 million sight tests
- about 5½ million glasses etc dispensed

HOSPITAL AND COMMUNITY HEALTH SERVICES

Money

- net current	£7,555
- capital	£ 630
- charge income (about 2/3 from private patient payments)	£65

Manpower

Nearly 800,000 whole-time equivalent staff are employed. Actual numbers of staff are larger because many are part-timers. Major groups are:

- doctors and dentists	38,000
- nurses	367,000
- professional and technical staff (therapists, lab technicians etc)	65,500
- ancillaries	173,000
- ambulance staff	18,000
- works and maintenance	26,000
- administrative and clerical	106,000

Physical Resources

- about 2,000 hospitals. A third of these were wholly or partly built before 1900: 85 major new projects are in the pipeline.
- 147,000 acute beds (over 40% occupied by people over 65)
- 139,000 beds for the mentally ill and handicapped
- 57,000 geriatric beds
- 19,000 obstetric beds

Breakdown of Expenditure

(a) by type of input (per cent)

- 74 goes on salaries and wages
- 3 goes on drugs
- 6 goes on medical and surgical equipment etc
- 5½ goes on food, laundry, linen, furnishings, crockery, cleaning materials
- 3½ goes on fuel and water
- 4 goes on common services (eg rates, telephones)
- 2 goes on estate management, equipment etc
- 2 goes on vehicle and transport costs.

(b) by function (per cent)

- 10 goes on medical and dental services
- 31 goes on nursing services
- 12 goes on medical and surgical supplies and drugs
- 8 goes on medical support services eg investigative tests and therapy
- 19 goes on catering, laundry and domestic services
- || 9 goes on medical records, administrative and clerical support, and miscellaneous services ||
- || 11 goes on estate management (maintenance, boilers, etc) ||

(c) by type of service (per cent)

- 55 on general and acute hospital services, including ambulances
- 6 on obstetric services
- 16 on services for the mentally ill and handicapped
- 3 on services mainly for children eg health visiting
- 2 on prevention and other community health services
- 12 on services specifically for the elderly
- 6 on administrative and support services

Activities

- nearly 4.1 million acute in-patient cases
- over 28 million acute out-patient attendances
- over 13 million accident and emergency attendances
- about 240,000 geriatric in-patient cases
- nearly a quarter of a million geriatric out-patient attendances
- 139,000 beds and 1.6 million out-patient attendances for the mentally ill and handicapped
- about three-quarters of a million obstetric in-patient cases
- 3.8 million obstetric out-patient attendances
- over 8,000 health visitors attending about 3.7 million cases a year
- nearly 14,000 district nurses attending about 3.2 million cases.

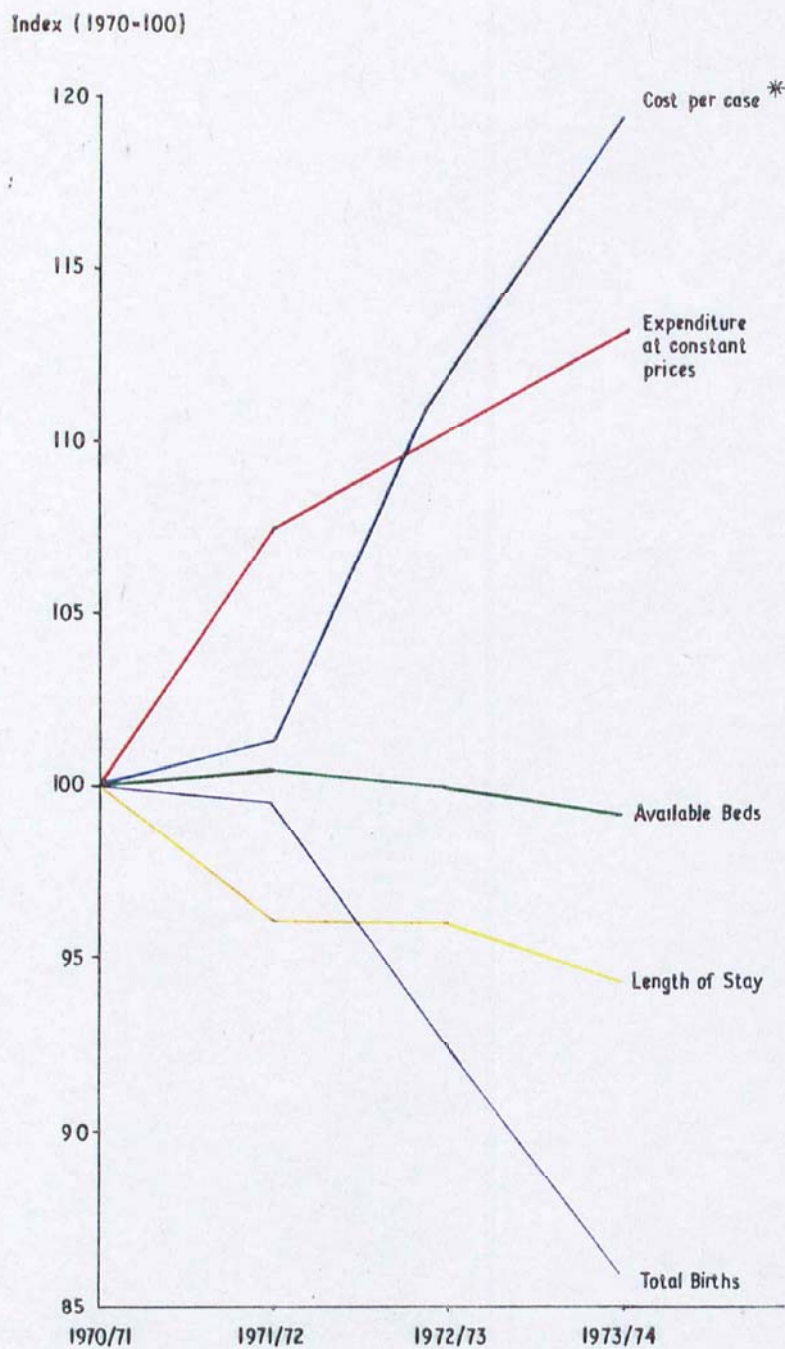
ACUTE SERVICES 1975-80

(All in patients in acute mainly acute and partly acute hospitals)

Index (1975/76 = 100)



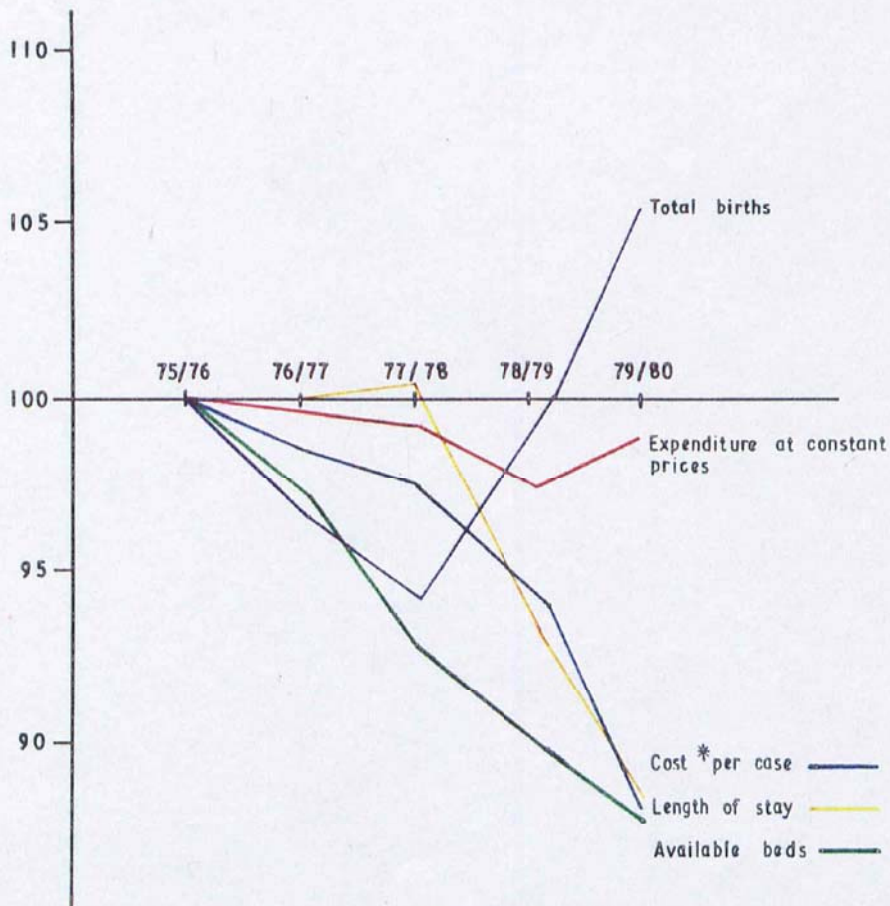
OBSTETRIC SERVICES 1970-74 (I)



* based on costs in maternity hospitals

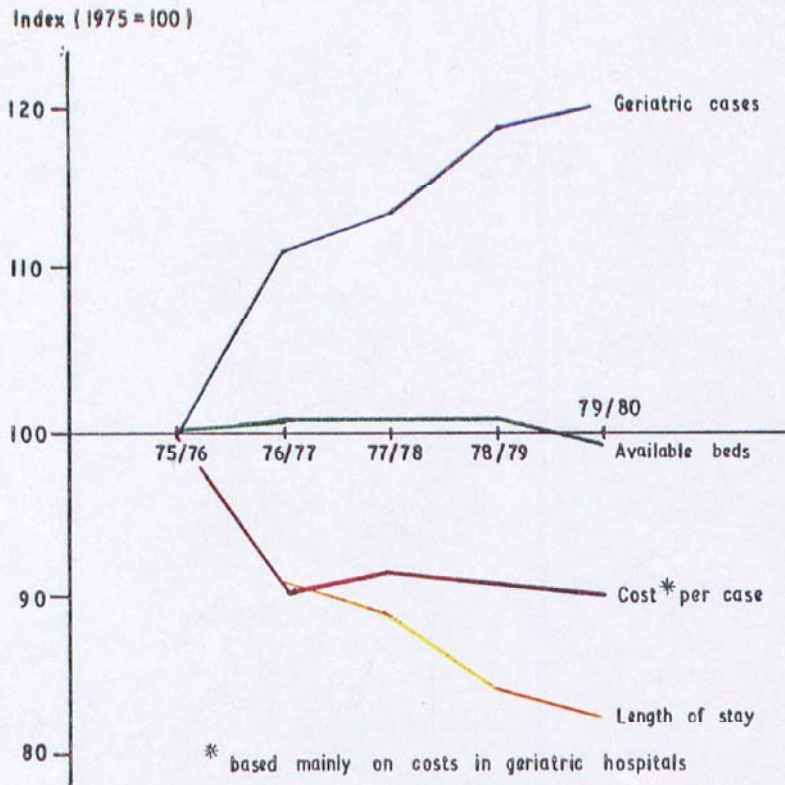
OBSTETRIC SERVICES 1975-80 (II)

Index (1975/76 = 100)



* Based on costs in maternity hospitals.

IN-PATIENT SERVICES FOR THE ELDERLY 1975-80



PRIME MINISTER

Prime Minister

Agree Devide

Rayer's latest

proposals for
scrutinies?

✓
✓

R

The Lord President and I will be coming to you in the next month or so with worked up ideas for the next round of scrutinies and service-wide reviews. Meanwhile, I am pleased to be able to report that some Ministers are coming forward with more proposals for scrutinies in 1981. This minute seeks your approval for three new topics. 8/9

2. Details are attached. In brief they are:

(1) Manpower Services Commission - the field organisation for the new Training and Special Programmes Division to be set up on 1 April 1983 following the 1980 scrutiny into the organisation of the Training Services Division (which concentrated on headquarters). These divisions currently employ 9,760 staff.

(2) Central Office of Information - Barney Hayhoe proposes a scrutiny of information and publicity work related to economic, industrial and employment policies. Coverage would include the activities in the COI, the Department of Industry, the Department of Trade (including the British Overseas Trade Board), the Treasury and the Department of Employment Group (thought to involve over 500 staff in total). Particular attention would be paid to the possibility of overlapping use of resources. The proposal commands general support from the Departmental Ministers concerned.

(3) Forestry Commission - the arrangements for transport of staff etc using light vehicles. There are about 2,000 vehicles involved and the estimated annual cost is about £2.8 million a year.

3. I think each of them would make a useful contribution to the scrutiny programme and suggest that you may wish to ask this office to take a particular interest on your behalf in the Manpower Services Commission and the Central Office of Information proposals.

I propose however to make comments on the draft terms of reference for the MSC scrutiny with a view to making it more "economy-minded". I should be glad to know whether you are content.

4. I am copying this to Geoffrey Howe, Christopher Soames and to Sir Robert Armstrong.



DEREK RAYNER

4 September 1981

MANPOWER SERVICES COMMISSION

SCRUTINY PROGRAMME 1981:
FIELD ORGANISATION FOR THE NEW TRAINING AND SPECIAL PROGRAMMES DIVISION

SUBJECT

Design of the field organisation for the new Training and Special Programmes Division which is to be formed by merging the MSC's Training Services Division (TSD) and Special Programmes Division in accordance with the recent Rayner scrutiny of TSD's Head Office.

COSTS

In 1981-82 Training Services Division will be spending £383 million and Special Programmes Division will be spending £413 million. The Divisions at present employ a total of 9,760 staff. *at*

REASON FOR SELECTING THE SUBJECT

It has now been decided as a result of the scrutiny of TSD's Head Office that TSD and Special Programmes Division are to merge to form a single Division, the target date being 1 April 1983. The MSC has to deliver the Youth Opportunities Programme and the Community Enterprise Programme to meet local needs, to pursue the objectives of the New Training Initiative and to ensure, through its own training services and by stimulating action by employers, that emerging skill needs are promptly met. The new Division will need a field organisation which is sensitive to local needs but which also makes the best use of special resources and is as efficient and economical as possible. It will need careful design, especially as both Divisions are already delivering large programmes and these must not be disrupted as the merger proceeds.

TERMS OF REFERENCE

The scrutiny will examine the MSC's existing arrangements at district/area level in Training Services and Special Programmes Divisions and also those at regional level, and will make recommendations for the field organisation of the new Training and Special Programmes Division, with the aim of enabling it to fulfil its objectives with maximum efficiency and cost-effectiveness. The scrutiny will bear in mind the need to establish the new Division without disrupting the delivery of programmes. It will have particular regard to:

- (1) the Division's responsibility for ensuring that training and special programmes meet the needs of both employers and individuals;

- (2) the identification of national and local labour market and other needs to this end;
- (3) the operational and other links required with the employment service and the careers service.

The scrutiny will bear in mind the implications of its recommendations for the Commission's arrangements for involving employer, trade union, educational and other interests in its programmes but is not required to study this aspect in detail.

PROPOSED STARTING AND FINISHING DATES

The project will begin early in September 1981 and will be completed by the end of the year.

EXAMINING OFFICERS

Mr N A Elliott (Leader)

Mr G Hyland

Mr K Pascoe

REPORTING ARRANGEMENTS

The report will be made to the Chairman of the Manpower Services Commission.

August 1981



Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State
Department of Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

Dear Keith.

INFORMATION AND PUBLICITY WORK ON ECONOMIC, INDUSTRIAL AND
EMPLOYMENT MATTERS

Having responsibility for the Central Office of Information I believe a 'Rayner' scrutiny concentrating on information and publicity work related to our economic, industrial and employment policies would be useful. Because the COI operates essentially on behalf of other Departments and because Departments themselves engage in closely related activities through their information divisions, I think that it would be sensible not to restrict a study within COI but to extend it to related areas in Departments as well. I attach proposed terms of reference. This is a substantial area of activity and it is particularly important that there is no wasteful duplication or overlap between departments and COI. If this scrutiny is successful further scrutinies could look at the other main areas of information and publicity activity.

Derek Rayner supports the proposal for a scrutiny on these lines and is ready to recommend its inclusion in the programme to the Prime Minister. I should be grateful for your support and that of the other colleagues concerned.

I propose to make a CSD official available to carry out the scrutiny, starting in September. The COI will provide support.

The precise coverage of the scrutiny will need to be more clearly defined. I envisage that it will involve your Department, the Department of Trade and the British Overseas Trade Board; the Treasury and certain aspects of work in the Department of Employment Group. The study official will explore the scope of the scrutiny with these departments and propose a detailed plan for the study to the colleagues concerned and to Derek Rayner. In the usual way, the draft report of the scrutiny will go to colleagues and to Derek Rayner.

I am copying this letter to Jim Prior, John Biffen and Leon Brittan and to Derek Rayner. I am also sending a copy to Peter Carrington because of his interest in the overseas aspects of this work. and to Francis Pym.

Leon Brittan
Barney Hayhoe

BARNEY HAYHOE

TERMS OF REFERENCE

In relation to the objectives of the Government's economic, industrial and employment policies, to examine the provision for information and publicity services in this field having regard to their cost and the effectiveness and efficiency with which they operate; and to pay particular attention to any areas of overlap.

WYNER SCRUTINY EXERCISE - FORESTRY COMMISSION

1. The Administration and Operation of the Commission's Arrangements for Personnel Transport

The work of the Forestry Commission is carried out in 11 territorial conservancies and two research stations, at each of which there is a fleet of light vehicles (including vans, land rovers, personnel carriers etc) used to transport Commission personnel. A fundamental review of all the arrangements for such transport is proposed.

2. Costs

The current annual cash cost of operating transport for Forestry Commission personnel is estimated at £2.8m, including attributable oncosts and overheads which are estimated at £0.7m. Expenditure is met from the Commission's grant-in-aid. The gross current replacement cost of the vehicles concerned is estimated at £7.4m. Their net book value is £3.1m and the annual charge for depreciation is estimated at £1.2m.

3. Reasons for Selecting this Subject

The Commission's personnel transport fleet has increased in recent years from about 1700 vehicles at April 1978 to some 2000 at January 1981. The total annual mileage covered is about 16 million miles, an average of some 8000 miles per vehicle. There is concern that the fleet of light vehicles is larger than the optimum, and that the standard of care may not be as high as it could be.

4. Terms of Reference

To examine the complementing, deployment and operation and cost effectiveness of the Forestry Commission's fleet of light vehicles, and in particular to recommend:-

- a. The optimum number and deployment of vehicles of each type in each Conservancy to meet operational requirements, bearing in mind alternative means such as car allowances. The investigation would entail consideration of makes and models of vehicles, suitable to requirements, having regard to operating costs. This would include examination of maintenance and replacement procedures.
- b. Whether it is practicable to provide improved means of assessing needs and approving additions to fleets.
- c. Means of improving the standard of driver care.

5. Proposed Starting and Finishing Dates

Start: 14 September 1981
Finish: 15 December 1981

6. Examining Officer and Reporting Arrangements

Examining Officer

- Mr J H James

Reporting Arrangements

- to the Minister of State, Scottish Office (on behalf of the 3 Minister viz the Minister of Agriculture, Fisheries and Food and the Secretaries of State for Scotland and for Wales, in consultation with the Director General of the Forestry Commission and Sir Derek Rayner's Unit.



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 4582

J G Littler

Deputy Secretary

3 September, 1981

Clive Whitmore, Esq.,
10, Downing Street,
LONDON, SW1.

Dear Clive,

I attach a note of the subjects and speakers for the presentation on financial management to the Prime Minister on 8 September.

Most of us are not preparing written material to circulate, although there will be one or two charts to show at the time. However, Geoffrey Hulme has a few fact sheets, which it would be useful to circulate in advance. They may not be ready by tomorrow afternoon, but will be with you on Monday.

I look forward to seeing you at Noon tomorrow as arranged.

Yours,
Griffin

cc Sir A Rawlinson, Treasury
Mr. M. Prescott, Treasury
Mr. G. Hulme, DHSS

Mr. R. W. L. Wilding, CSD
Mr. T. Robinson, CSD
Mr. B. Morris, CSD

Enc.

*Not needed if
many - please -
L -*

PRESENTATION ON FINANCIAL MANAGEMENT

3 p.m., Tuesday 8 September, 1981

1. Brief Introduction

Sir Anthony Rawlinson, Second Permanent Secretary in charge of Public Expenditure in the Treasury.

2. Overview from the Treasury

Geoffrey Littler, Deputy Secretary in charge of the General Expenditure Groups in the Treasury covering totals, technical services, developments in financial management.

3. Overview from the Civil Service Department

Richard Wilding, Deputy Secretary in the CSD in charge of the Management Group (Manpower, Functions and Programmes, Management and Organisation and the Central Computer and Telecommunications Agency).

(Pause for Questions and Discussion)

4. Examples of work at the Centre

Michael Prescott, Principal in the Treasury Division concerned with Planning and Control of Public Expenditure on the Health and Personal Social Services.

Trevor Robinson, Principal in CSD Manpower 3 Division, responsible for control of manpower and related resources in Inland Revenue and DHSS.

Brian Morris, Senior Principal in CSD Functions and Programmes 2 Division, responsible for cost-cutting studies, functional reviews, work measurement and transport economy.

(Pause for Questions and Discussion)

5. Financial Management in a Large Department

Geoffrey Hulme, Deputy Secretary, Principal Finance Officer of the Department of Health and Social Security.

(Pause for Questions and Discussion)



10 DOWNING STREET

~~Willie / Clive~~ I have told Cgd
this is OK, but that
they might consider
more senior
representative

Jim Buckley had Wn
4/9

President's office phoned

re your letter 3/17

re Geoff Channing on

Presentations on 27/10.

Mr Buckley would like his
divisional needs to be
present.

can you agree.

Andy

Mr RICKETT

Gork Mach

PRESENTATION ON EXPENDITURE CONTROL

1. We had a word last week when you told me that the presentation would be as follows:

- (1) Introduction: Rawlinson (1 minute).
- (2) Treasury/CSD overview: Littler, Wilding (20 minutes), followed by discussion.
- (3) Treasury/CSD Principals: Prescott, Robinson (not Morris) (20? minutes) followed by discussion.
- (4) DHSS: Hulme (15? minutes) followed by discussion.

2. I forgot to pursue with you the question whether it would be possible for there to be a rehearsal and if so when. May we please discuss?

This will be in the Term. Priestley's name will not go. WH

3. Either Sir Derek Rayner or I will aim to brief for the meeting. Subject to your views, this will be limited to a brief background; brief notes on the participants; and a series of questions which the PM might have in mind.

Agreed. WH

4. Please let me know when it is decided who should take the note.

I have suggested Mr Priestley might do this. WH

C PRIESTLEY
1 September 1981

Mr Whittington KH 2/9
I have asked Treasury to let you have a note on how they intend to go about this meeting. I suggest it should be held in the large dining room. The background is at the top. WH 2/9

PRIME MINISTER



*Priestley tells me this
note is prepared since
he.*

EFFICIENCY USA

file. JAW 16ix

1. This minute seeks your agreement for a week's visit to Washington by Mr Priestley and Mr Allen towards the end of September.

Background

2. Like you, President Reagan lays a heavy emphasis on the need for greater economy and efficiency in administration. Some departments of the Federal Government also have the problem, largely unknown to us, of graft and fraud.

3. Two agencies in the American system have been bearing down on these problems for some time. First, the Office of Management and Budget (OMB), part of the Executive Office of the President, prepares the budget and the fiscal programme. It also (among other things):

- advises the President on the effectiveness of the organisation and management of the Executive Branch "to ensure that they are capable of producing the intended results"
- helps to develop proposals for regulatory reform and reducing paperwork, especially the "reporting burdens of the public"
- plans and develops information systems to provide the President with "program performance data" and
- does evaluation work to help him "in the assessment of program objectives, performance and efficiency".

4. As you know, President Reagan has put one of his toughest associates, Mr David Stockman, in charge of OMB, with the

particular objective of reducing Federal expenditure.

5. Secondly, Congress on its part has the General Accounting Office, the more professional counterpart of our Exchequer and Audit Department. The Comptroller General of the United States, Mr Elmer B Staats, is a powerful and experienced servant of Congress.

6. Presidents Carter and Reagan have both felt that their own hand needed strengthening. Since 1978, major departments have each had an "Inspector-General" to

- conduct and supervise audits and investigations of its programmes and operations;
- lead, co-ordinate and recommend the policies to increase economy, efficiency and effectiveness in administering and to prevent and detect fraud and abuse in such programmes and operations; and
- report regularly to the head of each department and to Congress.

7. President Reagan has established the "President's Council on Integrity and Efficiency" to bring the Inspectors-General together - with the Justice Department and the FBI! - to "focus their total efforts in the places where it will do most good". This Council is chaired by one of his Assistants, Mr Edwin Harper, who is Mr Stockman's Deputy at OMB. I understand that the President's right-hand man at the White House, Mr Edwin Meese, provides the main driving force.

Purpose of the visit

8. American and British experience is not in direct parallel, nor are our approaches. The attached press release from the White House shows how much weight the President places on fraud prevention, even to the point of providing "hot-line" telephone

numbers so that Federal employees can shop their colleagues. But we have much in common, including enormous expenditures, the difficulty of knowing whether it is all producing the desired results and the patchy quality of management. And there are few fields in which it is not wise to see what the Americans are trying - or have discarded.

9. I would therefore like to start at the top in the White House and work downwards through OMB, the Office of Personnel Management and a sample of departments and agencies, with a side-ways step also to the General Accounting Office.

10. I attach an outline of the visit. I think it should take place in the week beginning 21 September. We have made provisional arrangements with the American Embassy here in London and expect no problems, subject to availability of taking in Messrs Meese, Stockman and Harper. The result would be a report - saying what the Americans do and suggesting in what ways if any we might benefit from their experience - and a series of useful contacts.

Cost

11. My own and Mr Priestley's experience of this sort of visit is that it is too much for one person to do alone. I would therefore like Mr Allen to accompany and assist Mr Priestley, especially as he (Mr Allen) has taken the lead for me on a number of matters likely to be covered in the visit (eg the scrutiny of administrative costs).

12. The cost of the visit would be roughly as follows:


	<u>£</u>
Salaries	1,100
Travel	1,600 (maximum)
Accommodation etc	650
	<hr/>
Total	3,350
	<hr/>



Conclusion

13. I should be grateful for your agreement to this visit. If you do approve it and there is an opportunity to give it a fair wind with the President, I should be glad to provide a form of words.

14. I am copying this to Sir Robert Armstrong.



Derek Rayner
28 August 1981

Encs: White House Press Release, 16 April 1981
Coverage of a possible visit

THE WHITE HOUSE
Office of the Press Secretary

EMBARGOED FOR RELEASE UNTIL
AFTER BRIEFING AT 2:30 P.M.

April 16, 1981

STATEMENT BY THE PRESIDENT

A study released yesterday reveals startling statistics that confirm much of what this Administration has said about the "national scandal" of waste, fraud and abuse in government.

Forty-five percent of Federal employees who responded to the survey said that in the last 12 months they had observed or had evidence of waste or illegality; 17 percent have personal knowledge of Federal property being stolen; 11 percent have personal knowledge of ineligible recipients getting funds, goods or services. These are far from trivial matters. Indeed, nine percent of the employees in the survey claimed to have observed specific incidents each involving over \$100,000 of waste or mismanagement.

The Study, conducted by the Merit Systems Protection Board and the Inspectors General, also found that much of the wasteful or illegal activities have gone unreported because of the belief that "nothing would be done."

This Administration means to change that attitude. As I said when I announced the appointment of the President's Council on Integrity and Efficiency on March 26: "We are going to follow every lead, root out every incompetent, and prosecute any crook we find who's cheating the people of this Nation." ←

Today the Council on Integrity and Efficiency is publicizing a series of "hotline" numbers that will be available to Federal employees who want to report wrongdoing in their departments. ←

But, more important, the Council is reasserting a point I want understood throughout the Government: Federal employees or private citizens who wish to report incidents of illegal or wasteful activities are not only encouraged to do so but will be guaranteed confidentiality and protected against reprisals.

I also want every member of this Administration -- from those in the Cabinet, to the sub-Cabinet, to Federal employees beginning their careers today -- to understand that we will not tolerate fraud, waste and abuse of the taxpayers' dollars. Every allegation of wrongdoing, every investigative lead will be pursued thoroughly and objectively.

The vital element in any program designed to fight fraud and waste is the willingness of employees to come forward when they see this sort of activity. They must be assured that when they "blow the whistle" they will be protected and their information properly investigated.

I want it made clear that today this Administration is providing that assurance to every potential whistleblower in the Federal Government.

Since I appointed the Council on Integrity and Efficiency, we have already begun to develop momentum in the fight against waste and ←

- Hundreds of additional investigative leads, some of great significance, on incidents of waste, fraud and abuse in government have been developed. Our Inspectors General are vigorously pursuing these leads.
- The Inspector General's office at AID secured a guilty plea from a former AID employee accused of extorting \$138,000 for channeling a rice-seed contract to a firm in the Far East. The individual also agreed to resign from AID immediately, and to return to the government, in the form of criminal and civil fines, some \$40,000 of the funds he allegedly extorted. In addition, he received a two-year suspended sentence and five years of probation.
- This Administration has announced its support of legislation creating additional Inspectors General who will have powers tailored to the specific needs of the Departments of Defense, Treasury and Justice.
- I have also approved six more individuals to be nominated as IG's. Their names will be announced as soon as they have successfully completed the initial clearance process.

During the past few decades, government programs have multiplied and expenditures have grown by quantum leaps. But during this time little attention has been paid to the serious problems of mismanagement and criminal fraud. One Department of Justice study has revealed that in social programs fraud alone could be as much as 1 to 10 percent of the expenditures for those programs.

It is time to put a halt to this waste and wrongdoing. These steps I have mentioned today represent only a beginning in one of the toughest and most important programs this Administration will undertake: eliminating waste and fraud, and restoring the public's faith in the integrity of government.

#

COVERAGE OF A POSSIBLE VISIT TO WASHINGTON, SEPTEMBER 1981

1. White House Mr Edwin Meese, Counselor to the President

2. Office of Management and Budget
 Director (Mr David Stockman)
 Deputy Director (Mr Edwin Harper,
 Chairman of the President's Council
 on Integrity and Efficiency)

 Topics
 Developing and maintaining effective
 government

 Program performance and evaluation

 Regulatory reform and paperwork
 reduction

 Training of auditors and investigators

 "Joint (OMB/GAO) Financial Management
 Improvement Program"

 "Overhead Operations and Federal Work
 Force Planning"

 "Incentives in the Budget Process"

3. General Accounting Office

 Topic Economy, efficiency and effectiveness
 audit

4. Office of Personnel Management

 Topic Implications of all the above for
 personnel, especially training of
 senior managers

5. Two Departments or Agencies

 Department/Agency Head and Inspector-
 General

 Topic Implications of all the above for
 (1) Departmental managers and
 (2) the Departmental Inspector-General

Possible Departments:

Defense

General Services Administration

Housing and Urban Development

Labor



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

27 August 1981

The Baroness Young

Mr Rickitt

You might like to be aware of this for possible future reference. JS 28/viii

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

I have now read Nick Stuart's report very carefully. Some detailed points are set out in the enclosure. This letter deals with more general matters.

CHARACTER OF THE REPORT

2. The report is pleasantly easy to read. It is a fascinating survey of the work of your Inspectors. From the report and my necessarily limited observations in Liverpool, they seem to be capable men and women. I was pleased to read that they are generally well regarded by the educational establishment and that some of their products are valued.

3. Scrutinising something like their work is harder than scrutinising, say, an out and out administrative process. However, the same underlying principle should be applied, namely to examine it radically, posing fundamental questions, particularly about value added. Even if a purely quantitative analysis cannot take the examining officer all the way a common sensible and critical appraisal can help. The report has not applied that principle. So, for me, the result is not the report of a scrutiny, but a useful description of, among other things, the attitudes of officials in your Department, the education associations and a few others - though not of parents, pupils or employers.

NATURE OF THE ISSUE

4. Let me say at once that I offer comments on the basis of seeking a good return for the nation (as pupils, parents, employers and just plain citizens), from the large amounts of taxes put into the educational system and the numbers of talented and caring people in it. (The report is, incidentally, not quite right in ascribing my interest to "consideration of any wider issues affecting the Civil Service generally".)

5. As it happens, this concern has just been sharply focussed. My company has been asked to help the MSC pioneer the development of a new approach to the training of school-leavers, the so-called "Foundation Year". The background to the MSC's thinking includes the point, that despite the recession, employers are still commenting on their difficulty in finding school-leavers trained or educated to the right standards.

6. Looking at this from the perspective of children, the tough fact is that they have only one chance of a school education. What happens to them is still, it seems to me to a very worrying degree, truly a matter of chance and beyond their or their parents' influencing. The question in many families' minds must be whether the teachers are delivering what they are paid to deliver. It was no doubt this very question which led to the proposal in the Conservative Manifesto two years ago that the Inspectorate should be strengthened.

7. The fundamental questions, for me, are the value your Inspectorate is adding to the quality of education at the point of delivery in schools and how far it is right to move away from thinking of them as an audit body. Here I was much struck by these considerations:

- (1) The report is curiously timeless and detached in its treatment of return on investment for the £9,200 million a year spent on education.
- (2) The Inspectorate has been around for a long time. There should be ample evidence about its effectiveness in improving the return on investment. For example, to investigate whether variations in educational attainment between different places are justifiable? To what extent have they improved a difficult area, like say Liverpool? What effect have they had on the learning of mathematics, or written and spoken English? The report provides no relevant evidence.
- (3) I am struck by how much confusion there is about what the Inspectorate is intended to do. The statement of 1922
"to ascertain whether educational value is obtained for the expenditure of state money and they are therefore required to report systematically on the educational standard of schools and areas"
was admirably direct and clear. There seems to have been nothing quite like it since and by implication, Mr Stuart's definition reveals that providing a guarantee to parents and the taxpayer is apparently no longer a primary objective of the Inspectorate.
- (4) Can inspection be provided satisfactorily by people who do not occupy a wholly independent position? That in turn, of course, begs the question whether external audit is necessary at all (see below).

CONCLUSIONS

7. In the light of these gaps of evidence about "value added" I am left stranded on the key issues. Because of this, I could not go along with the proposition that the report "makes out a case in terms of the contribution that the Inspectorate makes to the educational system as a whole for more inspectors rather than fewer" (page 73). Indeed, I could offer no useful comment beyond observing that it is apparent that the Secretary of State needs some educational advisers in his own employment. I could not say that an Inspectorate of 400 is required.

9. More generally, I am depressed by the argument that the Inspectorate "cannot run too far ahead of the system as a whole or lag too far behind it" and that it "has to operate within the system as it is" (page 110). This view means accepting that the system is itself acceptable overall, which surely is not always the case. It also seems to me to leave parents and children truly without an independent auditor of the system.

10. My own view is that some central agency should audit the performance and output of the educational system on behalf of the nation. Your Inspectorate exists, so it is natural to think of it first, although other agencies may be just as capable of doing the data collection which takes so much of their time. For example, I imagine that universities could do very useful follow-up studies.

11. It may be objected that the department lacks the authority and that change is better made by slow persuasion than assault. I do not favour either assault or dictation. There is no real conflict between audit and advice. The auditor in business has no more authority to change what he audits but he points out the strengths and weaknesses he finds. If the system will not tolerate an auditor because he is employed by central government, there must be a strong case for radical change.

12. Equally, it may be objected that there are not enough Inspectors to make a go of audit. But you do not have to audit everything. I would recommend selective audit in high risk areas, whether these are particular subjects, issues or places.

13. With all this in mind, I welcome certain parts of the report, particularly the references to follow-through; to more inspection based on the local authority; and to widening the staffing base of the Inspectorate. But I would be bolder in all these directions:

- All reports on institutions should be published and quickly. Punches, delivered honestly and in good faith, should not be pulled.
- Audit will be more effective if it is concentrated where it matters. For this reason, I do not favour the "rolling programme" approach.
- An Inspectorate working selectively must have an idea of what they want to effect or change or reform. This means a high degree of selectivity and a well worked up strategy.
- I am doubtful about staffing the Inspectorate on the basis that everything should be covered and that it offers a twenty-year career. I would be selective as to subject-coverage and leave substantial scope for bringing in people for special tasks. And I would put no difficulties of status in the way.

- I am specially doubtful about the further education Inspectorate. This vast area may call for a different kind of Inspector, with emphasis on management skills, not necessarily drawn from education and preferably including people with industrial experience. The idea in Peter Rendle's report of retaining part-time consultants, rather than full-time permanent Inspectors seems particularly appropriate. You would need a few permanent staff yourself, of course.

14. I suggest that the first step is to decide how important the audit function is. The next would be, in the light of your decisions to issue a policy statement about the respective duties in providing guarantees to children and their parents of the Department, local authorities, head teachers and others. I do not think that one can go on on the basis that, at any one time, inspection means just what it is chosen to mean, neither more or less.

PUBLICATION

15. I shall of course have to report to the Prime Minister before final decisions are made. When you and your colleagues have considered the reports, I shall consult you and them on the terms in which I do so.

16. The question of publication is, obviously, for you and your Ministerial colleagues, not for me. If you decide to publish the report as it stands, however, I think that it would be appropriate for this letter to be published also.

17. I am writing separately to Mr Roberts on the Welsh chapter of the report. I am copying this letter to him, Mr Alexander Fletcher, Sir James Hamilton and Mr Stuart.

Derek Rayner
1/10/71
DEREK RAYNER

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

FURTHER COMMENTS

General

1. Scrutiny reports come to me as much for consideration of the issues raised as "of any wider issues affecting the Civil Service generally" (para. 1.2).
2. It is good that the Inspectorate is held in high regard. This is a tribute to it (1.12(iii)). But the good opinion of other parts of "the system" is not without danger: the cutting edge of an inspectorate will be blunted if it becomes simply another part of a heavily bureaucratised and "professionalised" system. References to the "fragile balance of HM Inspectorate's relationship with the education system" (1.14(i)) and its "intricate network of relationships" with bodies outside the Department (3.40) stand out rather starkly in the absence of any comparable reference to parents and their children.
3. The fact that there have been so many reviews in recent years (1.13) seems to indicate a continuing uncertainty about the job of the Inspectorate - and an inability to end it. It certainly does not follow (1.14) that fundamental changes of role and structure are obviated, since evidence that the Inspectorate is at present directed and used by the Department effectively is not provided despite the fact that it accounts for so large a proportion of its administrative expenditure. Overall, I have the strong impression that the Inspectorate - an active and hard-working body of people - is not being directed to specific targets in a way that it is likely to produce specific benefits in schools, that the present style of operation includes too much "bread on the waters" and that its success depends too much on whether the system chooses to take or leave what is offered.

Role

4. The suggested definition in 2.4 excludes the word "inspect" but includes the phrase "to assess standards and trends throughout the education system". This begs the question of who sets and promulgates the standards and the criteria for acceptable performance against them. I have the impression that, after a long interval, these questions are only now being addressed and that, given the history, it is all very difficult.
5. The use of the word "assess" is also interesting, as the word implies "valuation". I wonder whether it is simpler to say, "to monitor trends in and to assess the performance of the educational system, both generally and particularly, against national standards"?
6. I agree that if the Minister employs Inspectors, he should set the policy for inspection and that Inspectors should report on "the reality of education where it is" (2.6(ii)). Is this what actually happens? And what is the result? If the "reality" in particular institutions is bad, does it not follow that the Inspectors have to devote some effort to selective "development work with individual institutions" (2.6(iii))? Indeed, is not this what they are best qualified by their previous experience to do?
7. I do not follow the argument that it is for the Inspectorate "as a professional body, to decide how to go about the business of inspection and what to inspect as the basis for its advice" (2.8). Surely it must be for those who foot the bill to make such decisions. I get the impression from the report that there has been a long-standing failure on the part of the Department to do this.

Work

8. The key question here is whether what the Inspectors are doing is addressed to and is helping with the needs of children

and their schools. I quite understand that part of the work of inspecting schools "is a broad sampling process" (3.2.) and can appreciate the "fundamental significance" of the switch to "national surveys" (3.5.). But it is not obvious to me that this work has to be done by high-grade Inspectors in your own employment. Could it not be done by universities or other agencies under contract, for example the "National Foundation for Educational Research" to which I see a fleeting reference or by the "Schools Council"? If you are going to have Inspectors, and want to use them selectively to achieve specific targets, they must not become strangers in the places you want them to influence.

9. It is difficult to evaluate what the Inspectorate contributes at the centre. Conscious of your warning, I would not want to diminish the nature and quality of its contribution to the work of the Department, but I do not get any feel for just what it is that makes the current level of effort right and produces an effect on the ground. I am afraid that it is not self-evident that the current level of Inspectorate activities is the only way of meeting your essential requirements for policy advice from professionals or of meeting your irreducible needs for

- information on how the system is working on the ground
- audit
- follow-up to help with and assess the response to policy initiatives.

Local Authorities and establishments

10. In principle, I like the ideas of "dipstick" and "local authority inspections" (3.5 and 3.13). But I think one needs to be absolutely clear why one is doing either and, given the rumbling sounds in respect of the latter, that one can say something worth hearing. This work should be targeted to where it will do most good for the customers. Of course, I should add, that if the Inspectors' commentary were disagreeable to hear, it would not be taken seriously unless they had enough

experience of the authority concerned to justify their assessment.

11. I do not agree with the proposition that Inspectors should lean over backwards to avoid appearing to pick on an authority. If they are as well regarded as the report says, they should be welcome to any sensible authority. Nor do I agree that the initial choice should be for the Inspectorate alone (3.14(iv)). There is otherwise little point in sending the administrators in your Department "state of the nation" reports on subjects and reports on districts.

12. Given the way in which responsibility is distributed, and the logic of numbers, it seems clear that if there is to be sound quality assurance of educational performance at the point of delivery, the key people are in the local authorities - notably heads and inspectors/advisers. This points to a selective use of your Inspectorate, I would imagine, to encourage individual authorities and establishments to develop the skills of self-assessment in the light of wider norms. The national surveys should be helpful here, but they have the limitations that they are descriptive and do not of themselves set the basic standards of performance you might want to insist upon.

13. I must say that I find it difficult to assess the importance of the local advisory services. The general effectiveness of your Inspectorate's development work appears to depend critically on the quality of coupling between it and the local authority advisory services. How significant this is I do not know. Does experience suggest that the possession of an advisory service is indispensable to the provision of good education? How important is your Inspectorate compared with other development and change agents? How much do schools do for themselves? If it is really the case that the relationship between your Inspectorate and local advisory services provides an essential medium for change, it must follow that either the absence or the poor quality of a local advisory service is a serious

defect. If so, it should presumably be a major goal of policy to improve the capability of local advisory services to inspect on their own patch. I understand that their skills are perhaps at present undesirably concentrated on some aspects of education at the expense of others. Can one afford not to put a substantial effort into strengthening this coupling? The selective auditing of local authorities might help here.

14. More generally, I wondered why it should take an average of nine months to produce inspection reports and why they were secret (3.44). I believe that the Inspectors are entitled to clear instructions on the timeliness of issuing their findings. Also, I firmly believe that findings should be made public. I agree with the reference the report makes to "openness". Prompt feedback to teachers, managers and parents is an essential part of inspection. I have no doubt that it would greatly strengthen the hand of the Inspectorate since it should give a clear practicable demonstration to all concerned of the objectivity, integrity and relevance of its findings.

Publication

15. I do not very much sympathise with the view that a wider free distribution of publications is needed. I do not believe that making the Inspectorate more influential is to be achieved by handing out reports financed by the anonymous taxpayer.

16. Rather, the material will be valued if the intended readership can see that it is relevant and helpful. Once again, selectivity is probably the answer. If you are going to concentrate on, say, a particular local authority or a particular issue, or set of related issues (eg the education of "new Britons"), there could be a place for selective free distribution as part of an overall scheme of work.

Further/Higher Education

17. I am worried by the references to the work of the Further/Higher Education Inspectors (3.16 - 3.30), which I find unconvincing.


The report proposes that some of it should cease (course approval) and certain comparatively minor but useful operational changes be made. But could not this large system - with its wide range of subjects, its paying customers and numerous standard-setting and examining bodies - be left to regulate itself with a minimum of intervention by Inspectors? Ministers will obvious need some advisers in their own employ, but the case for eighty-plus full-time Inspectors is difficult to follow.

Size and organisation

18. I do not know whether the report's conclusions are sound. It seems clear that Ministers need some policy advice; that some selective auditing and development work is necessary; and that locally based staff can help with the Department's administrative work as well as monitoring the system. But to a large degree, the effectiveness of the Inspectorate appears to be regarded as imponderable and incalculable. Savings were not the prime motive for this scrutiny, but there is not enough evidence in the report to allow one to feel confident about signing up with this proposition. How much practical difference does the size of the Inspectorate make to the quality of education on the ground?

19. At the very least, it would be helpful to have the scope for economies from the report's recommendations rigorously laid out, for example the proposed reduction in effort on course approval. A related issue is the extra support staff suggested. I find myself pulled in two directions on this. On the one hand, I deplore the thought that the performance of high-grade people is being impeded by the lack of appropriate support services. On the other, I have a strong feeling that much of the work for which support staff is needed may not be adding value. To take some different examples, I am not attracted by elaborate record-keeping although I agree that a standard format for school visits would be helpful; or by the close monitoring of the work of Inspectors in the field by Divisional Inspectors; or by the notion that extra support staff would be justified partly by the need to minute all divisional committee meetings. I do feel

very strongly indeed that, if you are going to maintain a cadre of good quality people, whose essential job is to influence the work of schools for the better, you need to keep the bureaucracy to a minimum.



Derek Rayner
28 August 1981

FILE

VLB

SIR DEREK RAYNER

Scrutiny Programme 1980: Inspection and Audit in
the Ministry of Defence

The Prime Minister was very grateful for your minute of 20 August reporting the findings and recommendations of this scrutiny, and the intended action.

She has asked me to say that she considers the result of this scrutiny to be excellent. She is delighted with the choice, execution, and implementation of the scrutiny, and would like this to be known to all those concerned.

I am copying this to John Freeman (Ministry of Defence).

W F S RICKETT

26 August 1981

SP

PERSONAL

20 10 20 10 15-20 10

Clive Lunn Friday
8pm J Kern

Mr RICKETT

Note / I have spoken to Sir A Rawlinson suggesting that
the presentation should be divided into 20 minute
blocks with
question time
between. BF2/4

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES
PRESENTATION ON 8 SEPTEMBER

1. I should be glad if we could have a word about two related aspects of the presentation by Treasury, CSD and DHSS officials on 8 September to the Prime Minister, some of her colleagues and Sir Derek Rayner.

LN
26/8

2. First, I fear that the composition of the Treasury/CSD share of the presentation looks as if it could be rather bloated. The present intention is, I understand, as follows:

Introduction by Sir A Rawlinson, just a few minutes.

Treasury and CSD overview: Mr J G Littler (Treasury) and Mr R W L Wilding (CSD), Deputy Secretaries, about 30 minutes in all. (Mr Wilding, incidentally, is breaking his leave and returning from the depths of Shropshire for the purpose.)

Treasury/CSD control in practice: brief presentation (time so far unspecified) by Mr Prescott, a Treasury Principal dealing with NHS expenditure; Mr T J Robinson, a CSD Principal dealing with DHSS and Inland Revenue manpower; and Mr B R Morris, a CSD Senior Principal, dealing with the Service-wide cost-cutting studies, functional reviews etc. (Mr Morris, incidentally, recently returned to CSD after 2 years as a Supply Principal in the Treasury. He has a good record, including substantial periods in industry and is a thoroughly good official. It can be assumed that both he and Mr Robinson will deal with aspects of the substantial administrative expenditures for which DHSS is responsible).

Financial Management in a Department: Mr G G Hulme,
PFO, DHSS (about 20 minutes).

3. Frankly, I am doubtful whether it is right to ask the PM to put up with 7 officials talking especially if, as I suspect, a large part of the time is spent on describing systems rather than illustrating their operation. I do not think that DHSS will fall into this trap. It is not Sir K Stowe's intention that it should and I gave such guidance as I could at a briefing of his finance team held in DHSS yesterday. You may like to know, by the way, that DHSS will aim to supply before the meeting a summary booklet to show the PM the resources for which DHSS is responsible and where it goes - "the inputs, the outputs, and the processes in-between".

4. I think, although you may not agree, that some rationalisation may be necessary, if only in the interest of providing time for discussion. I return to this point below.

5. Secondly, perhaps I may mention two points about the logistics. The participants would find it very helpful if they could rehearse the presentation together in the place where it will occur, I think the Cabinet Room. Would this be possible do you think some time next week? Mr Pattison will be able to confirm that the last presentation we had (on the DE/DHSS scrutiny of Benefits for the Unemployed) was greatly improved by a rehearsal, attended by people from No. 10 acting as a critical audience. Next, although this may have been raised with you already, is it possible to have an easel on which to mount flip-charts?

6. Returning now to the question of structure, may I ask whether you think the PM will put up with 7 speakers on the trot? If not, my own feeling would be that we might roll the Treasury and CSD overviews into one, given by Mr Littler on behalf of both Departments, and that, much as I myself would regret it, we might reduce the Principal level contributions


PERSONAL

from 3 to 2 by dropping Mr Morris's contribution.

7. The best way into this might be for you to have a word with your opposite numbers in the Treasury and CSD private offices, ostensibly to find out what is in view but if you would either like me to pursue it or to provide a draft private secretary letter, I would gladly do so.

8. Whether the medium is a phone call or a letter, I think it is especially important to get it across to the Treasury and CSD that the PM does not want a blow-by-blow description of systems. What she needs is a candid account of the strengths and weaknesses of financial control and management in government, at both the strategic and tactical levels as represented by the higher and middle reaches of the Treasury and CSD. Similarly - as the DHSS clearly have this on board already - she does not want a tedious description of what happens in Alexander Fleming House but a few examples which will shed light on, for example, policy making and evaluation.

9. I should be grateful for an early word about all this.


C PRIESTLEY
25 August 1981

P.S. I have spoken to Sir D. Roper about this. He cannot understand why the Treasury and CSD want to field so many people, although he says that in some ways it might not be a bad idea! He agrees that some rationalisation is necessary. He also thinks that it might be a good idea to begin the presentation with the OHS, so that the PM gets an insight into practice before being stuck with the "theory".

3

Prime Minister

2

To note.

Wm
21/8

PRIME MINISTER

An excellent result -
I am delighted with
the choice, execution &
implementation of the
scrutiny.

SCRUTINY PROGRAMME 1980: INSPECTION AND AUDIT IN THE
MINISTRY OF DEFENCE

Please could
this be known
to those
concerned
with it.


1. This minute advises you of the outcome of the scrutiny of Inspection and Audit in the Ministry of Defence, in which you asked me to take a particular interest on your behalf. I enclose a summary of the scrutiny's main findings and recommendations should you need it.

The Scrutiny's Findings and Recommendations

2. The report concentrates on three of the organisations responsible for some form of management audit: staff inspection, internal audit and central management services. The picture painted by the scrutiny is not all black and I know the top management of MOD attaches considerable importance to the correct deployment and use of resources in this area.

3. The scrutiny report cast doubt on the effectiveness of the existing arrangements, particularly in the following areas:

- Despite a plethora of different types of inspections (but reporting to different people) the Permanent Secretary has no single source of advice on what 'audit' is revealing about the management health of the Ministry.
- Staff inspection is less effective than imposed "cuts" as a means of controlling manpower numbers; its effect on grades is uneven and does not prevent "grade drift"; and rates of implementation have been poor.

- 
- On internal audit, effectiveness is hindered by too much audit of low risk areas and insufficient co-ordination and direction of effort where it is most needed; insufficient training of auditors; too much detailed guidance; and a lack of capacity to look at functions across the board.
 - Whilst central management services appear to perform an effective role, there is scope for improvement to provide a better return on effort.

4. The team concluded that an improved system of much more selective but higher quality "audit", backed up by better management information and the placing of greater responsibility for resource management on line managers through 'staff budgets', should be achievable by employing fewer staff of better quality. To effect this a number of detailed changes to methods of working and organisation were proposed, leading to a possible 30% saving in posts.

5. To promote co-ordination and the development of a more unified approach to the audit of all resources it was recommended that the internal audit, central management services and central manpower audit functions should be brought together, though remaining as distinctive functions, under a Director General of Management Audit (DGMA); and that a small nucleus of team leaders at Principal or equivalent level should be attached to the DGMA with specific responsibility to mount selective management audits of the use of all resources in particular areas or of systems of control, functions and grading standards across the board. The report recommended against a more "radical option" of replacing the three separate audit functions with a unified and centrally directed management audit approach (see also para. 10 below).



Ministers' Decisions


6. Ministers have decided to implement the scrutiny's main recommendations.

7. A Director General of Management Audit and a professionally qualified accountant as his deputy have been appointed. The DGMA's responsibilities and those of the Deputy Secretaries in the main management areas of the Department (including their relationship with the DGMA) will be promulgated. The DGMA will bring forward within 6 months worked-up proposals for reform in line with the scrutiny recommendations. He will report to a Management Audit Board, chaired by Sir Frank Cooper, which will also oversee implementation.

8. The new policy and the detailed changes to the way in which the 'audit' function is carried out will be introduced progressively, with the aim of achieving full implementation by April 1984. It is proposed that there should be a comprehensive review of progress in summer 1983 (but see para. 12 below). Changes in audit philosophy and method will be worked out with the Treasury, the Exchequer and Audit Department and the Head of the Government Accountancy Service (who have expressed some disagreement with the detailed recommendations of the scrutiny). Some changes in the guidance given to auditors across the Civil Service may result from these consultations.

9. There will be an initial target reduction of 10% of April 1981 staff levels (which are already 5% below the levels existing at the time of the scrutiny report) for achievement during 1981/82, saving £0.9m a year. The scope for further staff reductions will be examined in the course of further work to get the new organisation going and will take into account the scrutiny report's conclusion that a 30% reduction of staffing levels should be achievable.

10. Further moves to abandon altogether the three separate internal audit, management services and staff inspection functions in favour of a unified and centrally directed management audit approach




are not ruled out for the longer term; and in the short term the Ministry of Defence will be looking to see whether the three functions can be integrated in selected areas. Defence Ministers agreed with the report's rejection of this more radical option (at least for the present) because of the size and complexity of MOD, which argue against over-centralisation, and the need to maintain credible audit arrangements while the new organisation moves progressively towards the more selective and co-ordinated approach to audit recommended in the report.

Comment

11. I very much agree that a better quality investment in audit will produce a better result and that the continuance of the existing arrangements can hardly be tolerated. The Ministry of Defence picked a particularly good subject for scrutiny here. I am glad therefore that Ministers have decided to implement the scrutiny's main recommendations.

12. I am generally well content with the action proposed and do not quarrel with the initial target staff reduction of 10%. I have offered to Defence Ministers, and they have generally accepted, a number of suggestions to strengthen and expedite action, including the following:

- the DGMA's annual report to the Defence Council should contain a section appraising the use made of inspection and audit staff, whose complement should be considered in the light of this with a view to reducing numbers by the 30% recommended;
- the review of progress with the implementation of the new policy and of audit achievements should be made every 6 months, rather than deferred until summer 1983;
- in considering the improvements to the provision of management information and the scope for introducing staff budgets the DGMA might have regard to work carried out for Mr Heseltine in this area;

- 
- great emphasis should be placed on improving the quality and training of auditors and inspectors;
 - the DGMA should have the right of direct access to the Permanent Under Secretary of State, and the Management Audit Board's duties should be clearly specified by means of an instruction from the Secretary of State; and
 - consideration should be given to achieving full implementation before April 1984.

13. I am glad that the "radical option" is not closed off from further consideration. I have suggested to Ministers that all this should be made explicit at the time of the announcement of their decisions and picked up in the regular progress reviews. I would regard unification and the 'management audit' approach as the most effective way of ensuring maximum co-ordinated audit activity, avoiding artificial distinctions in functions and achieving value for money in administration.

Conclusion

14. I invite you to take note of the scrutiny's findings and recommendations and the intended action.

15. I am copying this minute to Mr Goodhart, who has Ministerial responsibility for over-seeing the scrutiny programme in the Ministry of Defence.



DEREK RAYNER

2c August 1981

MINISTRY OF DEFENCE

INSPECTION AND AUDIT IN THE MINISTRY OF DEFENCE

This scrutiny was set up to review the organisations which are responsible for some form of management or systems audit and to recommend where improvements can be made.

MAGNITUDE/SCOPE OF SCRUTINY

Within MOD there are a number of organisations responsible for some form of management audit. The scrutiny concentrated on only three of these: those responsible for staff inspection, internal audit and central management services. Together these employ about 640 staff at an annual cost of £9.5 million.

CURRENT SITUATION AND PROBLEMS

Inspectorates of Establishments

The main task of these divisions is staff inspection and complementing of both civilians and servicemen. Staff inspection is undertaken largely on a cyclical basis and the basic technique is normally an interview by the inspector with each post holder.

The scrutiny concluded that the manpower control function is required but:

- i. Cyclical staff inspection of complements is not cost-effective particularly when (as at present) numbers can and are being controlled by other means and strengths are substantially below complements. By concentrating on complements staff inspection does not directly address the problem of matching tasks and available manpower resources.
- ii. Staff inspection relies heavily on the subjective judgement of the inspector; it is also not effective at questioning tasks or making comparisons of grading standards and functions between different management areas.
- iii. Implementation rates tend to be poor.

Internal Audit

A centralized Directorate of Internal Audit was established in 1972 with the aim of replacing the old 'check and tick' style of audit with the new systems approach. Systems audit is not yet operating effectively.

In particular:

- (i) Effective systems audit requires an increase in the quality and expertise of staff.
- (ii) There is a need for an improved capability for looking at functions across the board.
- (iii) There is too much audit of low risk areas and a need for more planning and co-ordination of audit effort to ensure that it is directed where the risks to the Department are greatest.
- (iv) There are too many compliance checks of doubtful value. There is too little systems appraisal.

Management Services

The scrutiny concentrated on the central management services division, although there are a number of other management services/work study teams dispersed throughout the Department.

The central division performs a generally effective role but there is scope for improvements. These include more use of multidisciplinary teams with expertise drawn from elsewhere in MOD or outside; a better information flow to ensure that the division knows which area is most in need of help; a right of access (although the division should in general continue to operate on a consultancy basis); tighter implementation arrangements.

General

There is too much inspection, some of doubtful value, and inadequate co-ordination of inspection effort. There is no single source of advice for the Permanent Secretary and Ministers on what 'audit' is revealing about the management health of the Department. The weight of inspection detracts from line management's sense of responsibility for the economic management of resources.

RECOMMENDATIONS

A new approach is recommended based on greater trust on line management and a more co-ordinated and selective audit of their performance, backed up by better management information.

A number of detailed recommendations are made to improve the effectiveness of the audit functions and to reduce the weight of inspection to which line management is subject.

In addition, to improve co-ordination, it is recommended that the internal audit, central manpower control and management services functions should be brought together under a Director General of Management Audit at Under Secretary level. Detailed manpower control should remain delegated to the main management areas of the Department and to help them exercise their responsibilities for this, they should have their own manpower audit divisions.

POTENTIAL SAVINGS

a. Absolute

- (i) The selective approach to audit would suggest a saving of some 200 staff saving £2.7 million a year, although this will be partly offset by the need to improve the quality of the staff.
- (ii) Proposals to reduce the number of staff based overseas could save some £140,000 a year in foreign exchange costs.

b. Proportionate

About 30 per cent of staff currently engaged on inspection, audit and Management Services work.

COST OF SCRUTINY

£9,300.

*Cost
Mach*



*lm
20/8*

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

20 August 1981

Geoffrey Finsberg Esq MBE MP
Department of the Environment

Geoffrey

JOINT FCO/PSA REVIEW OF THE DIPLOMATIC ESTATE
MANAGEMENT

Many thanks for your letter of 14 August and for keeping me in touch. I look forward to hearing from you soon after the holiday season.

I am copying this to recipients of yours.

*from me
Derek*

Derek Rayner



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

18 August 1981

The Lord Cockfield
HM Treasury

Hand for TSM response. LM
Govt Mach.
WR. Add of note
Chase 24/11
Peggy with com.
int. outline
AK

1981 SCRUTINY PROGRAMME: VAT REGISTRATION AND DEREGISTRATION PROCEDURES

I have read with interest and pleasure the excellent report of Messrs Tweddle, Wilson and Gregory received on 31 July. The team are to be congratulated on the thoroughness of their work, their sensible recommendations and the clarity of their report. I am accordingly glad to see Sir Douglas Lovelock's initial reaction that "the recommendations... should make a valuable contribution to increased efficiency and more economical use of resources" (his minute of 4 August).

Procedural and Organisational Recommendations

2. The teams findings in respect of procedures (Chapters 7 - 9) correspond with those of other scrutinies that have examined "process work": unnecessarily complicated and detailed forms; excessive checking; insufficient delegation between HQ and local offices; too much hierarchy; disproportionate effort in relation to the benefit; a lack of selectivity in visits; and excessive nannying of clients. The team have taken a firm grip of these problems to produce very worthwhile savings of 169 man years (£1.2 million) representing 12 per cent of existing staff effort. In addition, and importantly, the proposals will make the process of registration and deregistration less onerous and more comprehensible for business. In this context I was very glad to see the recommendations to streamline, rationalise and clarify forms and, in the case of VAT 1, a fully worked up alternative form.
3. The procedural recommendations would seem to be relatively straightforward and I hope that you and Customs and Excise senior management will feel able to accept them with a view to early implementation. I note that a number of them will require legislative change and that if they are to be incorporated in the 1982 Finance Bill they will need to be with Parliamentary Counsel by December. I hope this will be possible.
4. Further savings might be achieved through the more effective deployment of staff resources (Chapter 10). In the light of the variations in performance (Annex M) and levels of staff doing similar work (para. 10.3) the recommendations to carry out staff

inspections and to give more detailed guidance to local management on complementing are to be welcomed. I would encourage an early start here, partly to ensure economy in the use of the large number of staff that remain following implementation of the package of reform and partly to ensure that the "man years" of savings are converted into "posts".

Minimum limits for registration

5. The recommendation to introduce minimum turnover limits for registration and compulsory deregistration is more difficult than the procedural recommendations. The report is honest however as to the political difficulties that the Government might encounter in accepting the recommendations. The small business, farming and legal lobbies are particularly vociferous. I would encourage you however to grasp the political nettle. As I understand it, an essential purpose of the registration threshold is to avoid excessive effort in relation to the collection of VAT. It strikes me as inconsistent with that purpose to permit registration when it suits the client at a cost to the general taxpayer of £3 million a year. And whilst the proposal can be said to discriminate against the small business, this is not unique to VAT. Many of the government grants to industry and support for small businesses are subject to minimum limits to avoid wasteful administrative effort.

6. Of course there will be distributional effects. The estimated £40m net gain to the Exchequer, as a result of VAT repayments no longer made, falls unevenly on the smaller business and on different types of business (mainly farmers). And now is a difficult time to be denting the cash flow of business, though the dent will be less than the £40 million given that the cost of supplies including VAT will be off-settable against income tax. On the other hand it should be possible to mitigate the effects by other budgetary changes. You might wish to ask Inland Revenue officials whether there are any compensating changes that can be made on the direct taxation side which do not involve any significant administrative effort.

7. Potential difficulties with the European Commission are not a reason for rejecting the proposals. The compliance cost of EEC requirements is something which should be met head on. If at the end of the day the proposals are not acceptable to the Commission, then so be it. But I agree with Sir Douglas Lovelock that the EEC problem is one of timing and tactics and that we must make what play we can with common sense arguments. As to the tactics, I am sure that Sir Douglas is right to argue that notification to the Commission should proceed simultaneously with legislation (para 16(c) of his minute of 4 August.)

8. I am at one with the team on the detail of their recommendations in this area. The 'buffer' between the registration and de-registration limits seem sensible. And I am glad that the turnover limit for compulsory deregistration will be phased in gradually to give business (and the Department) time to adjust. I would hope that the limits will be raised in line with changes in the VAT threshold.

9. I look forward to receiving your response to the report and an Action Document.

10. I am copying this letter and a copy of the summary report to the Prime Minister who asked me to take a particular interest in this scrutiny on her behalf. Copies of the letter only go to Sir Douglas Lovelock and Mr Tweddle.


DEREK RAYNER

THE SCRUTINY PROGRAMME 1981

VAT REGISTRATION AND DEREGISTRATION PROCEDURES

SUMMARY REPORT

The VAT Register

1. The control of VAT is based on a register of taxable persons maintained on a computer in Southend. There are currently over 1.3 million registered persons. In the calendar year 1980 there were over 170,000 additions to the register and 150,000 cancellations. The work involved with registration and deregistration procedures and other amendments to registered particulars involves about 1400 staff at an annual cost of £13.7 million. The majority of this work is carried out in the network of 88 local VAT offices (LVOs).

Scope of Scrutiny

2. The scrutiny has been concerned with examining the scope for improvements and economies in the maintenance of the register. We have considered three main areas:
 - a. the need for a separate VAT register;
 - b. reducing the size of the register, and
 - c. changes to current procedures

Need for a VAT Register

3. We concluded at an early stage of the scrutiny that it would not be practical to administer VAT without maintaining a register. We consider that the existence of a list of the names and addresses of taxpayers is a pre-requisite to the effective control of the collection of VAT. The use, for VAT purposes, of one of the other registers of businesses maintained by central Government has been explored. However, the Business Statistics Office register is based largely on VAT information and the others (the register of companies and the Inland Revenue registers of direct taxpayers) do not individually cover the VAT trader population. We have concluded that it would not be practicable to use other registers of businesses for the control of VAT and we make no recommendations to change the overall structure of the VAT register.

4. Further options for change which we have considered and rejected are charging traders for special procedures which increase official costs, centralising the registration and deregistration work carried out in LVOs, and the adoption of simplified registration schemes for small businesses.

Reducing the Size of the Register

5. About 250,000 businesses are not obliged to be registered (approx 20% of total) because their turnovers are below £15,000 pa. Overall these traders do not make a positive contribution to the VAT yield. Although very small businesses generally receive the minimum of attention from VAT control staff because of the large numbers they occupy a disproportionate level of official resources. We have therefore considered how very small businesses can be removed from the register.
6. Increasing the VAT registration threshold was considered to be outside the terms of reference of the scrutiny. The present threshold of £15,000 pa is the maximum allowed under the EC agreement on VAT. Previous experience has shown that when the limit has been increased only about 20% of those eligible apply for deregistration.
7. We have concluded that the only way to achieve substantial savings in the resources required to maintain the VAT register is to restrict the numbers of traders entitled to be registered. We recommend this is done by introducing;
 - a. a minimum turnover limit for new registrations, and
 - b. compulsory deregistration of existing registrations whose turnover falls below a minimum limit.

We have recommended different minimum limits for new and existing registrations to reduce the number of traders who would become liable to registration soon after compulsory deregistration.

8. The choice of minimum limits is a balance between the savings in official costs and the number of traders involved. We have put forward three options - minimum turnover limits for compulsory deregistration of £6,500, £13,000 and £15,000. Our recommended option is a minimum limit of £15,000 pa for new registrations and £13,000 pa for compulsory deregistration. We estimate that this option would reduce the size of the register by approximately 200,000 traders and lead to savings of about 390 staff. The implications for the revenue yield are difficult to calculate but it is estimated that overall the traders affected are in a net repayment position. An increase in the VAT yield of up to £40 million pa might be expected. To reduce the impact on the trading community and for administrative convenience we have recommended that compulsory deregistration is implemented gradually, say over two years.
9. There is likely to be opposition, particularly from the small trader lobby, to the introduction of a minimum turnover limit for registration and compulsory deregistration. The main groups of traders affected would be in agriculture and construction who, when registered, normally receive repayments of VAT. Professional bodies such as the Law Society have expressed their concern about the adverse effect compulsory deregistration could have on the careers of those just entering the profession. Support for the trade view may come from sponsoring Government Departments. There is also an EC problem to be overcome. The Sixth Directive on VAT gives all businesses making taxable supplies, no matter how small, the right to register. The negotiation of an appropriate derogation may require concessions to be made in other areas.

Changes to Procedures

10. Overall we consider the Department is devoting too much effort to the maintenance of the VAT register. There are too many special procedures, some of which put the Department to a great deal of extra work with little apparent benefit. Although the maintenance of an accurate register is important, we consider that an excessive amount of checking takes place to ensure the information is correct. Current procedures mean that a disproportionate amount of time is spent on deregistration cases when there is no continuing revenue interest and the tax outstanding is usually small.

11. Registration. The number of omissions and errors made by traders on the registration form indicate significant completion difficulties. The Department's efforts to obtain correct details are resource intensive and delay the registration process. We have recommended that a simplified registration form is introduced. This would be written in language that is likely to be understood by the small traders who form the large majority of new registrations. We have proposed that less effort is spent on the registration process by the incorporation of some of the special procedures into the normal routines, by eliminating the duplication of checking, and by postponing some official action until the time of the first visit to the trader. We consider that visits to traders should only be made for revenue reasons, eg verification of tax returns, and that the proposed policy to visit new registrations at their request should not be implemented.

12. Changes to Registered Particulars. The problem of maintaining an accurate register is exacerbated by traders failing to advise the Department of changes to their registered particulars. The one million bank account details on the register for VAT repayment purposes cause specific problems. We have proposed that traders are sent an occasional reminder of their obligation to notify changes and that only bank account details of the 350,000 traders receiving regular repayments of VAT are maintained on the Department's computer files. We have also proposed that the local offices should be solely responsible for making changes to registered particulars.

13. Deregistration. The main problems with the cancellation of registrations are the long timescales involved and the manually intensive procedures. Traders who have given up their business have little incentive to finalise their VAT affairs. We consider that a streamlined procedure making greater use of the available computer resources will lead to a significant reduction in effort without reducing the revenue yield. As part of an overall simplification we have recommended that the separate manually issued final VAT return is dispensed with and that the final period of trading is covered by a normal VAT return issued by the computer. The information that the local office need for assessment and visit selection purposes would be produced automatically at the appropriate time.

Organisational Changes.

14. We consider that local offices can carry out more economically some of the operational work currently performed centrally, eg finalisation of missing trader action. We have recommended that such work is delegated. During our visits to the local offices we observed significant differences in the complementing, grading and organisation of registration and deregistration work. We consider there would be scope for savings to be realised if staff inspection techniques were used to bring the number and grade of staff into line with the needs of the work. We also consider that the work could be organised more flexibly and have recommended that LVO managers consider setting up registration/deregistration teams to deal with all aspects of the work. In Headquarters we observed that registration policy and case work is dealt with in a very structured manner and we have recommended that the SEO grade should not normally be involved with such work. We consider there is scope for a more cost effective approach to be taken which will enable HQ registration and deregistration policy and case work to be dealt with by two Principal headed Branches instead of the present three.

Savings

15. The introduction of a minimum limit for registration of £15,000 and a compulsory deregistration limit of £13,000 would lead to gross savings of 394 staff - 133 posts in Headquarters and a further 261 man years work in the local offices. (These figures must be reduced by 9 posts in HQ and 15 man years in the LVOs to take account of savings that would arise from the implementation of our other proposals). Our recommendations to reduce and simplify procedures would lead to savings of 64 posts in Headquarters and 105 man years effort in the local offices. The total net savings of 539 posts and man years effort would reduce official costs by about £4.1 million pa (calculated at basic staff costs). The realisation of savings in Headquarters, may be delayed because of the backlogs of work created by industrial action. The conversion of man years effort in the LVOs into posts saved will require a recomplementing of the work.

Structure of Report

16. A list of recommendations follows this summary. Our report consists of eleven chapters. The first four contain background information about the scrutiny and current procedures. The

broad options for change are considered in Chapter 5 and our proposals for a minimum limit for registration in Chapter 6. Changes to current procedures are covered in Chapters 7 to 9 and organisational changes in Chapter 10. Further information about savings is contained in Chapter 11.

SUMMARY OF RECOMMENDATIONS

	Paragraph Reference
1. A 'buffer' to be retained between minimum limits for registration and compulsory deregistration.	6.9
2. The UK to propose that the EC Own Resources limit is increased to 20,000 EUAs (about £13,000).	6.10
3. Registered persons below £13,000 turnover per annum to be deregistered compulsorily; new VAT registrations not to be accepted unless expected annual turnover exceeds £15,000.	6.12
4. The implementation of compulsory deregistration to be phased over (say) two years.	6.13
5. Local VAT Offices to deal with (say) 100 new compulsory deregistration cases per month.	6.14
6. The compulsory deregistration procedure to make maximum use of the VAT computer.	6.14
7. A simplified and more flexible procedure to be adopted for compulsory deregistration cases.	6.15
8. Customs and Excise to have no discretion to register traders below the minimum registration limit.	6.16
9. Information required on the registration form (VAT 1) to be reduced.	7.6
10. Traders notifying for registration to declare the date from which registration is required on the registration form.	7.7
11. A simplified registration form VAT 1 to be introduced.	7.9
12. No follow-up action to be taken after the routine issue of 'VAT Packs'.	7.12
13. The central pre and post computer check of computer input documents to be discontinued.	7.13
14. The routine verification (double) keying of non critical registration information to be abandoned on a trial basis.	7.15
15. The LVOs to send documents direct to Computer Division for input to the computer; computer output to be sent direct to the LVOs.	7.16
16. Eligible traders to be encouraged to apply for exemption from registration.	7.17
17. Individual acceptance of voluntary registration conditions to be discontinued	7.19
18. A more restrictive approach to be adopted when granting applications for voluntary registration.	7.20

19. Voluntary registrations to be granted only to those traders who will either reclaim or pay VAT above a specified monetary limit. 7.20
20. Conditions imposed on intending trader registrations to be incorporated into the VAT Regulations and that individual acceptance to be discontinued. 7.21
21. The review of intending trader's activities to form part of the first visit to the trader. 7.21
22. The central manual register of group registrations to be discontinued. 7.22
23. The Registration Division (VCD) to forward group registration information to the Business Statistics Office. 7.22
24. Group registration forms to be redesigned for use as computer input documents. 7.23
25. Belated notification work to be delegated to the LVOs. 7.24
26. The special claim procedure (VAT 421) for stocks and assets on hand at registration to be discontinued. 7.26
27. All VAT incurred in setting up a new business to be eligible to be reclaimed on the first VAT return. 7.27
28. Existing businesses to be allowed to reclaim VAT incurred in connection with the continuing business on the first VAT return. 7.28
29. Each LVO and major customs port to receive their own microfiche copies of the national alphabetic and numeric lists of VAT traders. 7.31
30. Registration visits to traders to be made only for revenue reasons. 7.33
31. Traders to be sent an occasional special reminder of the need to notify changes to their registered particulars. 8.2
32. Bank account details to be held on computer file only for those traders who regularly receive repayments of VAT. 8.5
33. The need for a special security system for forms VAT 12 to be reconsidered. 8.6
34. LVOs to be responsible for all amendments to traders' registered particulars. 8.7
35. The special final return form (VAT 193) to be dispensed with. 9.6
36. The manual issue of final returns to be discontinued. 9.7
37. Form VAT 35 (Notice of cancellation of registration) to be simplified. 9.9

38. A leaflet explaining deregistration requirements in straightforward terms to be produced. 9.9
39. Deregistration computer printouts D526 and D559 to be combined. 9.10
40. A computer produced Trader Report (D510) to be sent automatically to LVOs at specified stages in the deregistration process. 9.12
41. Final returns not to be sent to LVOs. 9.13
42. Deregistration visits to be selected on the basis of revenue risk and the traders' ability to pay tax due. 9.15
43. The use of form VAT 31 (clearance certificate on deregistration) to be discontinued. 9.16
44. All missing trader work to be performed by the LVOs. 9.18
45. Urgent attention to be given to undelivered mail addressed to repayment traders. 9.20
46. LVOs to control and collect tax due from deregistered barristers. 9.21
47. A firmer policy introduced to deregister compulsorily traders with turnovers below the registration threshold who default. 9.22
48. More detailed guidance to be given to local management on complementing, grading and organisation of registration and deregistration work. 10.4
49. Staff inspection techniques to be used to improve the complementing and grading of registration and deregistration work in LVOs. 10.5
50. LVO management to consider the practicability of setting up registration/deregistration teams. 10.6
51. Three SEO posts to be withdrawn from Registration Division (VCD). 10.10
52. In the longer term registration policy and case work to be dealt with by two Principal headed Branches instead of the present three. 10.12
53. Certain manually prepared repayments of VAT to be made locally by Collectors of Customs and Excise. 10.15



DEPARTMENT OF THE ENVIRONMENT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

14 August 1981

Wm
17/8

Dear Derek

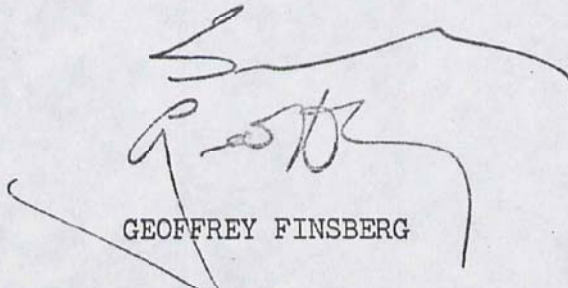
JOINT FCO/PSA REVIEW OF DIPLOMATIC ESTATE MANAGEMENT

You wrote on 14 July to Michael Heseltine registering your interest in the work now being done on the implementation of the recommendations in the report and, in particular, in the consideration being given to the views of the independent members of the Steering Group on shifting responsibility to the FCO and to individual Posts. We have also noted Christopher Soames' interest, expressed in his letter of 31 July.

I have considerable sympathy with these views, but the issues are proving more complex than first envisaged and we will need a little more time before we can see clearly how best to proceed. Some fairly detailed work is involved, but even so I hope that we will be ready to invite further comment soon after the holiday season.

In Michael Heseltine's absence, and in view of this delay, I thought I should let you know how matters stand.

I am copying to the recipients of yours and also to Douglas Hurd at the Foreign and Commonwealth Office.


GEOFFREY FINSBERG

Sir Derek Rayner



JS
bc, w/o
4m T (w/ass)
csd

10 DOWNING STREET

From the Private Secretary

31 July 1981

For Mac

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 21 July.

The Prime Minister is grateful to your Secretary of State for agreeing to give her a presentation on the control of running costs in his Department.

On the timing of the meeting, I understand that Caroline Stephens has spoken to your office, and arranged for it to be held at 1600 on Tuesday 27 October.

W. F. S. RICKETT

Jeff Channing, Esq.,
Department of the Environment.

h



Govt No. 1

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1P 3EB

31 July 1981

Wh
3/8

Dear Michael,

JOINT FCO/PSA REVIEW OF DIPLOMATIC ESTATE

I have seen a copy of Derek Rayner's letter to you of 14 July.

I too found the ideas for improved management consciousness put forward by the independent members of the Steering Group persuasive. In the special circumstances of the widely scattered diplomatic estate overseas, there must be a strong case for the maximum degree of delegated authority, so long as headquarters have effective means for checking that such authority is being exercised in a proper and economical way.

So I am glad that Peter Carrington and you have commissioned a study of the pros and cons of the Pearce/Smith proposals and I would also welcome an opportunity to see the Report when it has been completed.

I am copying this letter to the recipients of yours.

Yours ever

Christopher

SOAMES

East Mac



10 DOWNING STREET

① note - see HMT to WR
23/7/81

Patrick Jenkin,
accompanied by
Ken Stowe and Mr
Hulme (PFO) will
attend this meeting.

② BF 10/8

WRH
31/8



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8550

27 July 1981

John Gilbert Esq
Private Secretary to
Timothy Raison Esq MP

Dear John

SCRUTINY PROGRAMME 1980: REVIEW OF B4 DIVISION

Sir Derek Rayner is out of the office until 10 August. I am writing therefore to acknowledge your Minister's letter of 24 July which Sir Derek will see on his return.

I have been in touch with the Home Secretary's Private Office with a suggested amendment to the Parliamentary Question as follows:

Third sentence, final paragraph: "Whilst the report's recommendations and subsequent review have helped to speed up the processing of individual applications, I regret that for as long as the number of applications continues at its present high level, and arrears increase, it is unlikely that there will be any improvement in overall waiting times in the near future; rather the position is likely to deteriorate".

I would be grateful if you could let me have for our files a copy of the PQ as it is answered.

I am copying this to Mike Pattison at Number 10.

Yours sincerely
David Allen
D R ALLEN

*Wh 21/7
Govt Mail*

SUBJECT



File 26

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. M 10/81

MINISTERS IN CHARGE OF DEPARTMENTS

THE EFFICIENCY OF CENTRAL GOVERNMENT

The purpose of this minute is to inform Ministers in charge of Departments of the arrangements now to be made in connection with Sir Derek Rayner's assignment.

Sir Derek Rayner has been helping us for just over two years, combining his work in Whitehall with his duties at Marks and Spencer. He has asked, and I have agreed, that he should now spend less time in Whitehall so as to spend more in Baker Street.

The unit of my staff which has supported Sir Derek Rayner will continue to do so. It will however be strengthened by the appointment as its official head of Mr. J. S. Cassels, at present the Director of the Manpower Services Commission, on promotion to Second Permanent Secretary. I hope to announce Mr. Cassels' appointment early next week.

Sir Derek Rayner will continue to be available to advise Ministers both generally (for example on the scrutiny of administrative overheads) and individually. I encourage Ministers to seek his help on departmental and other matters as the need arises. He will continue to provide overall leadership for the scrutiny programme and for further Government-wide reviews on the pattern of those of statistical services, supporting services for research and development and administrative forms.

The remit I have given to Mr. Cassels is as follows:

- (i) The scrutiny programme: to help secure the implementation of completed scrutinies; to co-ordinate the current and future programmes; to co-operate with departments, including the central departments, in drawing out any lessons of wider application; and to assist Sir Derek Rayner as required.
- (ii) Government-wide reviews: to assist Sir Derek Rayner as required.
- (iii) Lasting reforms: to contribute to work already in progress (e.g. on repayment for allied services); to contribute to progress with and action on matters lying variously with the central departments and Sir Derek Rayner's unit (e.g. the development of financial responsibility and accountability in line management, equipping financial and resource managers with appropriate training and experience and ensuring that systems of financial and resource management are in all major respects well designed and run in support of Ministers).
- (iv) Civil Service and administrative matters more generally: to provide advice and assistance as required.

I have asked Mr. Cassels to devote a substantial part of his time to helping to bring to fruition work on lasting reforms.

Mr. Cassels will carry out his assignment in consultation and co-operation with Departments. He will need to extend his knowledge of their work and I should be grateful if Ministers and their senior officials would give him the access and the help he may need.

I am sending copies of this minute to Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong, Sir Derek Rayner and Mr. Cassels.

Rayner

26

24 July 1981

244



With the Compliments
of the
PRIVATE SECRETARY
of the
MINISTER OF STATE

Home Office
Queen Anne's Gate
LONDON
SW1H 9AT



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

24 JUL 1981

Wm
27/7

Thank you for your letter of 9th July.

The probable increases in waiting times are very worrying. But in view of the urgent need to exercise economies in staffing we can see no alternative. B4 Division has, over the last two years, repeatedly examined its procedures. But each relaxation of the standards of examination of applications, with hopes of a consequent reduction in waiting time, has been offset by the increases in applications. Overall arrears of work are still increasing and, given this background, we can see little prospect of any reduction in waiting times and have therefore thought it right to spell out the likely position by the end of 1982.

There are some areas of the processing where we can be optimistic. The introduction of the "first come, first served" scheme has speeded up consideration of provincial cases, and as a result, despite increasing delays in the initial stages, the overall time taken for naturalisation cases has not increased in the last few months. The Metropolitan Police scheme for waiving personal interviews is going well and the results of the first four months show almost a 50% reduction in average enquiry time. This could eventually have a significant effect on the lengthy delay in London cases. But, in view of the present high rate of intake and the arrears of cases awaiting first inspection and enquiry, not much effect in the short-term.

The use of retired policemen would only be of help in those cases where enquiries are necessary, and we are looking at the long-term possibility of employing them on registration enquiries in the London area; as I mentioned to you in my letter of 21st May. But the time taken on enquiries is not the most pressing matter at present because we can see gradual improvement there. The most important task is to try and reduce the time taken to process work in the Division or at least to stop the time increasing. But whilst the intake continues at its present high level and arrears increase the outlook is less than promising.

(TIMOTHY RAISON)

Sir Derek Rayner

CONFIDENTIAL

*CS to note and return to mejl
23/7
23/7*



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

23 July 1981

W Rickett Esq.
10 Downing Street
LONDON
SW1

Dear Willie,

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

Thank you for your letter of 14 July. The Chancellor is content to arrange a presentation on this subject for Tuesday, 8 September, beginning at 1500 hours, in the form suggested in your letter. The Treasury will coordinate arrangements among the officials who will conduct the presentation. I understand that the time available for the complete presentation will be about 1½ hours.

I am copying this letter to Jim Buckley (Lord President's Office), Don Brereton (DHSS), Terry Mathews (Chief Secretary's Office), Clive Priestley (Sir Derek Rayner's Office), and David Wright (Cabinet Office).

yours sincerely

John Wiggins

A.J. WIGGINS
Private Secretary

*883
Stone
Hanna*

*Copied to
Appointments*

SENIOR STAFF IN CONFIDENCE



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

See memo

22 July 1981

C A Whitmore Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
LONDON SW1

Dear Clive,

THE EFFICIENCY OF CENTRAL GOVERNMENT

Your letter of 17 July to Jim Buckley invited the Lord President's comments on the draft minute from the Prime Minister to Ministers in charge of Departments, announcing the appointment of Mr Cassels to the 2nd Permanent Secretary post in the Rayner Unit.

While the Lord President is content with the draft minute, Sir Ian Bancroft has one slight drafting change to suggest. His office will be letting you have this direct.

Copies of this letter go to John Wiggins (Treasury), David Wright (Cabinet Office) and Clive Priestley (Derek Rayner's Unit).

Yours ever,

E G M Chaplin

E G M CHAPLIN
Private Secretary

Mr Whitmore
KW 24/vii

In Clive Priestley's absence on leave I spoke to Mr Rickett this morning to say that, as we understand Sir Ian Bancroft's proposed change, it is more than drafting and would change the remit to co-ordinate lasting reforms which we understood the Prime Minister wanted Mr Cassels to have.

J3 22/vii

SENIOR STAFF IN CONFIDENCE

VM



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

21 July 1981

Dear Willie

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 14 July to David Edmonds.

My Secretary of State would be delighted to lead a presentation to the Prime Minister on the control of running costs in his Department. We will organise something along the lines the Prime Minister has suggested - involving the Permanent Secretary and one or two key officials from different levels in the hierarchy, and bringing in Mr Joubert, our Rayner study officer.

As to timing, it would be more convenient for us to go for a time of Monday 21 September or the afternoon of Wednesday 23 September. Perhaps Caroline could talk to Sue here about a time?

Yours ever

Jeff Channing

J P CHANNING
Private Secretary

Willie Rickett Esq

T.P.



BF

10 DOWNING STREET

From the Principal Private Secretary

17 July 1981

Dear Jim,

The Efficiency of Central Government

As the Lord President knows, although Derek Rayner will continue to be available to Ministers and their departments, he now wishes to spend rather less time in Whitehall than formerly.

On the Prime Minister's instructions I spoke to the Lord President yesterday about her intention to strengthen the support available to Derek Rayner by appointing John Cassels, who is at present Director of the Manpower Services Commission, to be the official head of the Rayner unit. Cassels will be promoted to Second Permanent Secretary.

The Prime Minister now wishes to move quickly to inform Ministers generally of the new arrangements and also to announce them publicly. I enclose the draft of a minute which the Prime Minister proposes to circulate next week for this purpose. Before she does so, however, she would like to know whether the Lord President is content with it. She would similarly be glad of any comments the Chancellor of the Exchequer may have; and I am accordingly sending a copy of this minute and of the draft to John Wiggins.

Copies also go to Jeremy Colman (Civil Service Department), David Wright (Cabinet Office) and Clive Priestley (Derek Rayner's unit).

Yours ever,

Anne Whitman.

Jim Buckley, Esq.,
Lord President's Office.

Copy in Appointments.

W

THE EFFICIENCY OF CENTRAL GOVERNMENT

The purpose of this minute is to inform Ministers in charge of Departments of the arrangements now to be made in connection with Sir Derek Rayner's assignment.

Sir Derek Rayner has been helping us for just over two years, combining his work in Whitehall with his duties at Marks and Spencer. He has asked, and I have agreed, that he should now spend less time in Whitehall so as to spend more in Baker Street.

The unit of my staff which has supported Sir Derek Rayner will continue to do so. It will however be strengthened by the appointment as its official head of Mr. J.S. Cassels, at present the Director of the Manpower Services Commission, on promotion to Second Permanent Secretary.

Sir Derek Rayner will continue to be available to advise Ministers both generally (for example on the scrutiny of administrative overheads) and individually. I encourage Ministers to seek his help on departmental and other matters as the need arises. He will continue to provide overall leadership for the scrutiny programme and for further Government-wide reviews on the pattern of those of statistical services, supporting services for research and development and administrative forms.

The remit I have given to Mr. Cassels is as follows:

- (1) The scrutiny programme: to help secure the implementation of completed scrutinies; to co-ordinate the current and future programmes; to co-operate with departments, including the central departments, in drawing out any lessons of wider application; and to assist Sir Derek Rayner as required.

- (2) Government-wide reviews: to assist Sir Derek Rayner as required.
- (3) Lasting reforms: to contribute to work already in progress (e.g. on repayment for allied services); to co-ordinate progress with and action on matters lying variously with the central departments and Sir Derek Rayner's unit (e.g. the development of financial responsibility and accountability in line management, equipping financial and resource managers with appropriate training and experience and ensuring that systems of financial and resource management are in all major respects well designed and run in support of Ministers).
- (4) Civil Service and administrative matters more generally: to provide advice and assistance as required.

I have asked Mr. Cassels to devote a substantial part of his time to helping to bring to fruition work on lasting reforms.

Mr. Cassels will carry out his assignment in consultation and co-operation with Departments. He will need to extend his knowledge of their work and I should be grateful if Ministers and their senior officials would give him the access and the help he may need.

I am sending copies of this minute to Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong, Sir Derek Rayner and Mr. Cassels.

CONFIDENTIAL

Mr RICKETT

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. Thank you for my blind copy of your letter of 14 July to Mr Edmonds (DOE).
2. I do not know whether it is intended that Sir Derek Rayner should attend the proposed presentation on 16 September. If it is, I am sorry to say that he will be abroad at that time. However, should it be agreeable, he would be glad for me to represent him.
3. I should be grateful if you would kindly keep me or in my absence on leave (22 July - 17 August) Mr Allen in touch with developments. Whether or not this unit is represented on 16 September, we should be glad to brief for the occasion.
4. Incidentally, if DOE resists the idea of including Mr Joubert, I think you should lean on the Department quite hard. Mr Allen is thoroughly au fait with these matters and will very gladly give you such help as you might need.

CP

C PRIESTLEY
16 July 1981

Willa

rearranged for
Wed: 22 October
at 11.30. 1600
cf. 2417

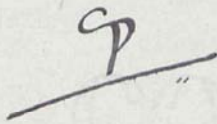
CONFIDENTIAL

Mr RICKETT

WR BF 17/8
gaut Machin

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

1. Thank you for my copy of your letter of 14 July to Mr Wiggins.
2. Sir Derek Rayner should be free to join the Prime Minister for the presentation on Tuesday 8 September.
3. We shall aim to brief beforehand.
4. You may like to know that I intend to be away on leave from next Tuesday or Wednesday until 17 August. In my absence, Mr Beesley (233 5029) will take references on this subject.


C PRIESTLEY
16 July 1981

CONFIDENTIAL

C

Rtb



FILE

10 DOWNING STREET

From the Private Secretary

14 July, 1981

Control of Expenditure: Departmental Responsibilities

The Prime Minister was grateful for the comments made by the Chancellor of the Exchequer, the Lord President of the Council and Sir Derek Rayner in response to her request for advice on the staffing of the central departments (my letter to you of 21 May).

The Prime Minister takes the point and welcomes the fact that there is a lot going on. She also notes that there is something of a chicken and egg problem here in that providing training and experience for the staff of central and other departments depends on analysing what is meant by "financial management" in government and the skills of which it consists, both generally and in relation to particular departmental activities.

The Prime Minister believes that prompt action to deliver the changes required will be essential and she agrees with the Chancellor's reference to the possible need to bring in help from outside, whether in defining what has to be done to up-grade financial management or to help with the up-grading itself. For example, she would envisage that it might be necessary as a start to mount a crash programme, through the Civil Service College and training institutes outside government, to train people in the disciplines of good financial and resource management.

The Prime Minister has said that she would find it helpful to receive a presentation on these matters during September when some of the thinking and analysis already in hand are further advanced. She would like such a presentation to cover:-

/-

An over-view

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Rtb

CONFIDENTIAL

- 2 -

- An over-view, perhaps by senior Treasury and CSD officials, of what we are doing and trying to achieve in relation to financial control and management.
- What Treasury and CSD control means in practice now and would mean in future (brief presentations by Principals from the Treasury and CSD).
- A presentation on the financial management and control system in a large department: the Prime Minister has suggested that the Principal Finance Officer of the DHSS might accept this task.

BF | The Prime Minister would be grateful if the Chancellor or the Chief Secretary would set in hand arrangements for such a presentation, in consultation with the Lord President, the Secretary of State for Social Services and Sir Derek Rayner. A possible date for this presentation would be 1500 hrs on Tuesday, 8 September. The Prime Minister would, of course, like the Chancellor, the Lord President, the Chief Secretary, Mr Jenkin and Sir Derek Rayner to accompany her on this occasion if they are free to do so.

I am copying this letter to Jim Buckley (Lord President's Office), Don Brereton (DHSS), Terry Mathews (Chief Secretary's Office) Clive Priestley (Sir Derek Rayner's Office), and David Wright (Cabinet Office).

W. F. S. RICKETT

A J Wiggins, Esq
HM Treasury

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NBPM .
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15/7
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Mach

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

14 July 1981

The Rt Hon Michael Heseltine MP

See Michael!

JOINT FCO/PSA REVIEW OF DIPLOMATIC ESTATE MANAGEMENT

Thank you for your letter of 22 June forwarding the Steering Group's report on arrangements for managing the Diplomatic Estate overseas. I am sorry to have taken a little while to reply.

PSA Supplies

2. I am glad that you and Peter Carrington are able to agree to the recommendation that the FCO should pay direct for PSA Supplies Services and that the necessary detailed changes are now being worked up with a view to implementation next year. I am glad also that for the future there will be greater emphasis on local purchase.

Study of FCO "asset awareness"

3. Responding to the specific question which you put to me, I agree that my recommendation, following on the PRS report, that there should be a specific study of ways of improving FCO awareness of the value of the assets in their charge has been overtaken by events. Given the completed FCO/PSA review and the further work that is in hand I do not see that an additional and separate study would add value to the debate. This is because the way to providing for improved management consciousness is already contained in Chapter 9 of the Steering Group's report.

Excessive centralisation

4. The independent members of the Steering Group, Mr Pearce and Mr Smith, offer in Chapter 9 a persuasive and sensible package of reform to achieve greater cost-consciousness through shifting responsibility for the diplomatic estate to the FCO

and making each Post overseas a local cost centre. I am sorry that the Steering Group as a whole felt unable to go along with these proposals. For whilst the Steering Group's recommendations, operating within the constraints of the existing system, will go some way towards improving cost-consciousness and cost-responsiveness, with increased delegation of responsibility, they continue to rest on what I see as a weak foundation of excessive centralisation.

5. For an estate as diffuse as the overseas estate (involving on the PSA Vote 300 offices, 1280 owned staff homes and 600 long-lease staff homes; and on the FCO Vote 1500 short-lease staff homes and 182 miscellaneous accommodation, distributed across 132 countries and 231 Posts) I would have thought detailed management from the centre an impossible task. The recently completed Joubert scrutiny of DOE (Central) running costs, on which I have just written to you, shows that within a Home department, whose spending divisions are not separated by oceans and continents, effective financial and resource control requires a cost centre approach to management. Messrs Pearce and Smith sum up this well when they say (para. 9.2):

"Local problems are best dealt with locally and increased delegation and responsibility makes the delegatee more cost-conscious".

6. In any organisation the Headquarters role should be restricted to the formulation of strategy (including the fixing of total budgets and allocations within the whole) and assuring itself that delegated management responsibility is being carried out effectively. There is no reason why those at the centre should be more cost-conscious and cost-responsive than the outposts as long as the latter have a clearly defined framework and a tightly controlled budget in which to manage. Indeed, cost-consciousness is sharpened when those responsible for defining the need are accountable for the cost.

7. The cost centre approach would clearly sit uncomfortably if the Headquarters remained as at present, with PSA retaining its accountability to Parliament for the money spent on the diplomatic estate. Lines of accountability and responsibility would be more confused than at present. It seems right therefore that FCO should take over from PSA full responsibility for the estate, with the costs borne on its Vote. To the extent that the in-house professional expertise currently residing in PSA's DEMOS is needed after the changeover either FCO could pay PSA for the services provided or the professionals could move into the FCO.

Value of assets

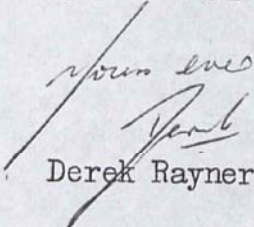
8. As to the costs of which management should be conscious the value of owned assets must come into the account. Otherwise

the "free good" mentality will persist with the investments on which the owner sits completely forgotten. I am completely at one therefore with paras. 9.12 and 9.13 and am glad that the Steering Group as a whole were able to accept this need for asset valuation if only for property (para. 10.7) and that details of such a system are now being worked out. The Steering Group are however right to note that "regular valuations would be of limited value without a changed attitude in many Posts which have little incentive to urge change". That incentive would be provided if the 'cost centre' approach were adopted.

Next steps

9. In the light of the above, I am very glad that you have called for a report on the pros and cons of the Pearce/Smith proposals. I should be very interested to see that report and would be grateful for an opportunity to comment. As you know, I am in complete agreement with you on the need for PSA's estate management role in respect of the UK Civil Estate. But I believe the arguments that are so powerful there become extremely thin when applied to the very different and special circumstances of the varied and diffuse diplomatic estate overseas.

10. I am copying this letter to recipients of yours.


Derek Rayner

*South West
Scrutinies*

WR 14/7

1. MR WILSON
2. PARLIAMENTARY CLERK

cc -
Mr Wilding
Mr Russell
Mr Beesley *BS*
Mr Payne

ANNOUNCEMENT OF RAYNER SCRUTINIES 1981

Sir Derek Rayner is to appear before the Treasury and Civil Service Sub-Committee on Wednesday. He has given them a list of this year's Rayner scrutinies. This has not yet been made known to MPs generally. Past announcements have been in response to PQs, but there has not been a PQ on the subject since Mr Richard Shepherd's on 16 January, when this year's programme, apart from the first three topics, had not been settled.

2. To forestall possible criticism, the Minister of State may wish to arrange a Question for written answer on Wednesday. A suggested Question and ... Answer are attached.

Peter Davis

P G F DAVIS
13 JULY 1981

Mr Gaffin (No.10)

c. Mr Rickett ✓

We spoke last week about this. Subject to Mr Hayhoe's agreement it should go out on Wednesday.

BS 13/vii

CABINET OFFICE
L 210
13 JUL 1981
FILING INSTRUCTIONS
FILE No.

To ask the Minister for the Civil Service what scrutinies in government departments are being carried out with the help of Sir Derek Rayner.

MR BARNEY HAYHOE

In addition to the studies previously announced, Departments are carrying out the following scrutinies under the guidance of Sir Derek Rayner. Other topics may be chosen later.

Department	Topic
Home Office	The Forensic Science Service*
Foreign and Commonwealth Office (including Overseas Development Administration)	The generation and transmission of information The use made of Diplomatic Service personnel overseas
Chancellor of the Exchequer's Departments HM Treasury	The Treasury's role in promoting efficient systems of financial control in Departments Typing and secretarial services*
Board of Inland Revenue	PAYE files and their contents Repayment procedures in the claims and PAYE sections of tax divisions / The administration of Schedule D tax /

* Already in progress

/ Completed

Department	Topic
HM Customs and Excise	<p>Procedures for dealing with and amending VAT registrations and deregistrations*</p> <p>The criteria for providing Customs facilities and the basis on which any charges for attendance should be made*</p>
Department for National Savings	<p>Post Office errors*</p> <p>Operating procedures*</p>
Department of Industry	<p>The organisation and staffing for determining the allocation of financial support for research, development and technology sponsored by the Department*</p>
Paymaster-General's Office	<p>Declarations of entitlement for public service pensioners</p>
Civil Service Department	<p>The delegation of authority to other departments*</p>
<p>Department of Employment Group</p> <p>Department of Employment</p> <p>Manpower Services Commission</p> <p>Health and Safety Commission</p>	<p>Work permits administration*</p> <p>Procedures relating to sponsor employers taking part in Special Programmes*</p> <p>Approval testing and certification of products under the 1974 Health and Safety at Work Act*</p>
Ministry of Defence	<p>Defence Sales</p> <p>Financial management and control*</p> <p>Defence telecommunications</p> <p>Group passenger travel*</p> <p>Dissemination of information</p>

* Already in progress

/ Completed

Department	Topic
Ministry of Agriculture, Fisheries and Food	Fisheries research and the work of the Torry research station
Department of the Environment	Control of administrative costs in DOE central and scope for local cost centres /
Property Services Agency	Custody service provided to departments having no such capability of their own /
Scottish Office	Fisheries research
Welsh Office	Procedures for processing compulsory purchase orders and other orders/ appeals *
Department of Health and Social Services	Administrative implications of 'final relevant year' provision for pensions* Handling of Casework in DHSS headquarters*
Department of Trade	Handling of routine prosecutions by the Solicitor's Department*
Department of Energy	International work*
Department of Education and Science	Victoria and Albert and Science Museums
Department of Transport	Winter maintenance of motorways and trunk roads*

* Already in progress

/ Completed

Sir Derek Rayner is also co-ordinating Government-wide reviews of (a) the supporting services provided to research and development and allied scientific work; (b) administrative forms. The following Departments are participating in these reviews :

Supporting services provided to research and development and allied scientific work

Home Office
Foreign and Commonwealth Office (~~including~~ Overseas Development Administration)
Department of Industry
Civil Service Department (co-ordination)
Ministry of Defence
Ministry of Agriculture, Fisheries and Food
Department of the Environment
Scottish Office
Department of Transport

Administrative Forms

Home Office
Board of Inland Revenue
HM Customs and Excise
Civil Service Department (co-ordination)
Department of Employment
Ministry of Agriculture, Fisheries and Food
Department of the Environment
Property Services Agency
Department of Health and Social Security
Department of Transport

PRIME MINISTER

FINANCIAL MANAGEMENT

There are three main strands to work on this subject.

- (a) The case studies on internal audit and financial control being set up in MAFF and DOI;
- (b) the departmental scrutiny on running costs, and your wish to call in a Minister and his Permanent Secretary, to discuss this, with the help of management consultants;
- (c) the work on defining departmental responsibilities, and improving the expertise and staffing of central departments.

No decisions are needed at this stage on how to handle the follow-up to the case studies on internal audit and financial control. You will want to see the reports first.

The attached minutes from Sir Derek Rayner deal with the next steps on the scrutiny of running costs and on the responsibilities of the central departments. Sir Derek's minute

- at A makes suggestions for the handling of the meeting you wish to hold with a Minister and his Permanent Secretary on the scrutiny of running costs. The Department of the Environment is the natural candidate since the Department have in fact carried out an examination of their control of running costs. The results of this are reported in Sir Derek's minute at C. It shows significant weaknesses in the financial control of the Department's running costs, but also proposes corrective action. He puts forward strong reasons for not employing management consultants at this stage; not least the cost of doing so. (The Cooper and Lybrand team of 5 doing the MAFF study on internal audit are charging £1,120 per day). He volunteers to be present himself instead. He suggests that you choose one department rather than two, and he gives DOE and DHSS as his candidates.

/ - at B suggests

- at B suggests that you should be given a presentation on the objectives of financial control by the central departments; the strategy for achieving these objectives; and what expenditure and manpower divisions in the Treasury and CSD actually do. Sir Derek attaches more importance to this meeting than the one on the scrutiny of running costs. He feels it would help concentrate the minds of the central departments, as well as bring you up-to-date. He suggests that the meeting take the form of an over-view presented by senior officials from Treasury, and perhaps the CSD, followed by explanations by Principals from the CSD and Treasury of what they actually do. He also suggests that you might, as an optional extra, ask the Finance Officer of a large department to explain what the financial management function looks like in his department. In my view, you should not include this option. The meeting should concentrate on the central departments.

Agree:

- (a) to a presentation on the central departments proposed by Sir Derek Rayner, but not including the optional extra of asking a Finance Officer of a large department to take part in the presentation?

Agree
plus optional extra

I think it would be helpful to have the practical and example.

- (b) to a meeting with the Ministers and the Permanent Secretary of the Department of the Environment on the scrutiny of running costs, on the basis proposed by Sir Derek?

Yes

Both meetings would best be held in September.

Wickett

WILLIAM RICKETT

10 July 1981


CONFIDENTIAL

PRIME MINISTER

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

To supplement my minute of 8 July, you may like to have the attached copy letter to the Secretary of State for the Environment.

2. The letter is self-explanatory. It deals with the report of the scrutiny by Mr Joubert, assisted by Mr Derwent and Messrs Peat, Marwick, Mitchell & Co. of the control of running costs in DOE (Central). I agree with Mr Joubert's analysis and with his proposals for reform (which are not without cost).
3. Peat, Marwick, Mitchell & Co (who put 12 "man days" into the scrutiny) endorse the team's report. They consider that there are "significant weaknesses in the financial control of the departmental running costs under consideration", especially in relation to planning; comparing performance with plan; explaining the difference; and corrective action. A copy of their comments, which make very interesting reading, is embodied in the team's report.
4. I shall be reporting to you more formally later as this scrutiny was one in which you asked me to take a particular interest on your behalf, but I should say now that it confirms the advice contained in my minute of 8 July.


Derek Rayner
9 July 1981

Enc: Copy letter to Mr Heseltine



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

9th July 1981

The Rt Hon Michael Heseltine MP

Spencer Michael

1981 SCRUTINY PROGRAMME: RUNNING COSTS IN DOE(Central)

1. I have read with great interest the Joubert/Derwent report, received on 18 June. The Examining Officers are to be congratulated on the excellence and thoroughness of their work and for producing a very readable and convincing report.
2. Their findings bear out the worries that led you to commission the study, following the annual scrutiny of running costs; and their intelligent recommendations provide the basis for overcoming the more glaring deficiencies of the present system, for the lasting reform of management practice in your Department and for read-across to other Departments. I hope you will give the total package your endorsement.

The scrutiny's findings

3. Part I of the report is a disturbing insight into the current estimating, monitoring and control procedures. I am sure however that what is described is not unique to the DOE. It confirms the picture that has been emerging from the scrutinies in many Departments, namely a lack of cost-consciousness and cost-responsiveness down the management line.
4. The description of the present system (Chapters 2 and 3) points to a generally "easy" atmosphere surrounding the management of expenditure on the Administration Vote. This is exemplified by the following:
 - The Establishments Division with responsibility for the Administration Vote (MAN4) tends to accept without question the spending divisions' submissions for the coming year's Estimates. It also has the habit of "enhancing" the total of the bids received to produce an undeclared contingency fund. This enables it to adopt a relaxed and unquestioning attitude towards any extra bids arising in the

spending divisions in the course of the year to meet excesses or unbudgeted expenditure (Section 2.3).

- Spending divisions frequently decide their Estimates bids on the basis of what was spent last year with an undeclared addition for their own guess of what inflation might be and a tendency to build in for contingencies (paragraph 2.4.1).
- Monitoring of expenditure in the spending divisions is very often limited to the half-yearly report to MAN4 of their spend and forecast outturn, and any sense of a control function in the divisions is more or less non-existent as they enjoy the relaxed atmosphere of "estimates easily granted and excesses easily met" (paragraphs 2.4.2 and 2.4.3).
- There is a substantial and consistent under-spending of the non-salary elements of the Administration Vote (12-14% on average over the last 3 years, rising to 20% or more on particular items (Section 3.3).

5. Against this background of easy money and inadequate monitoring it is not surprising that in spending divisions the general attitude towards administrative costs is one of "no need to bother" (paragraph 3.4.3). I was struck by the Examining Officers' findings that such a lack of interest becomes even more apparent where other parts of the Department are responsible for providing the services and bearing the costs (eg stationery division) and is most obvious, extending also to the central control divisions, where another department is providing the services free, on "allied service" terms. Given that about half the department's running costs are borne on other departments' Votes - in particular accommodation services - and a further significant proportion of spending divisions' costs are met by other service divisions in the department, there is the potential for waste and inefficiency in the use of resources on a large scale.

Recommendations for change

6. The Examining Officers have very sensibly drawn up a two stage package of reform, to provide for tauter administration, which

- (a) enables you to get quickly after the more obvious weaknesses in present arrangements (Section 4); and
- (b) in the slightly longer term radically reshapes existing arrangements to create a system with its roots firmly established at the level where resources are consumed (Part II).

7. Of the interim changes proposed for immediate implementation (Section 4) I would place most emphasis on getting after the "uncomfortable muddle" of undeclared contingencies (which is providing for so much slack in the system), putting estimates submissions on a consistent and well defined price basis and creating a greater awareness of costs in the spending divisions through more regular monitoring of performance against profiles and the involvement of Heads of spending divisions.
8. I would advise that in addition the controlling power of the budget should be restored by requiring substantial cuts in the non-salary element of the DOE Central Administration Vote. One approach might be to take out the average under-spend on each sub-head over the last 3 years plus an additional amount (say 5-10%) to take into account the fact that spending divisions have been operating in an "estimates easily granted and excesses easily met" atmosphere. Whilst this might seem very crude I believe it will provide the necessary budgetary foundation on which to build the proposed new system of "responsibility accounting".
9. The interim measures are emergency first aid only, of course. A lasting cure calls for the Part II proposals for a system of "responsibility accounting" through the establishment of 'cost centres'. The essence of sound management practice is to place accountability with those who are responsible for defining need. The more removed from the work-face are those who draw up, monitor and control budgets, the more hit and miss will be the management process and the more one will operate a system of "management by surprise". There is nothing more salutary than the manager having to bid for and justify the resources in his charge. Otherwise the manager's attitude is to regard his activities as without cost.
10. I agree wholeheartedly with the need to allocate costs according to consumption and thus, as recommended in the report (Section 7), to allocate out the costs of the service divisions. This will provide for a business dialogue between the supplying and consuming divisions to ensure efficiency and economy in the operations of both. In the case of accommodation services, it will provide essential support to the planned move to repayment in getting the cost-consciousness and responsiveness message down the management line.
11. The recommended participative approach to budgeting, involving the Heads of cost centres, the Heads of directorates and central finance unit and the various service divisions is absolutely right. There is no single level at which the management responsibility can reside, and whilst management can and should be delegated no single participant in the chain can abdicate his responsibility. But it is crucial that the involvement of those up the management chain and at the centre of the department is seen to be active if the awareness of costs created by the establishment of cost centres and a management information system is to be translated into responsiveness to costs.

12. The recommendations relating to rewards, penalties and training (Section 3.5) will help to influence attitudes. It will be important also however to provide "induction courses" for cost centre managers and their superiors on how to make the cost centre approach work. These courses need not be too elaborate. They might concentrate on clarifying responsibilities and the sorts of questions to be applied to the cost information so as to get after cost-effectiveness.

13. The recommended triennial review (Section 6.2) - described as a mini-Rayner review of the cost centre - will be an important part of the process by which the central finance unit assures itself of the quality of management. I am glad to see that this process will be launched through an intensive initial review to ensure that the proposed financial control system gets off on the right foot. But I wonder whether it is necessary for this to operate in tandem with implementation of the new system, as recommended, which will mean that it will not be completed until 1984. Given the report's message - over-provision of administrative expenditure - you might wish to consider initiating a crash programme of reviews in the spending divisions. These would sit comfortably with the recommended interim budget proposals, could complement any across the board cuts (paragraph 8 above) and could only be helpful in preparing the way to cost centre budgeting.

14. I would suggest only two refinements to the proposed system of control. First, that key cost ratios/performance indicators should be defined to assist cost centre managers to judge their efficiency in the use of resources. Second, that the administrative costs be coded to enable an attribution of costs to the functions and PES programmes which they support - this need not be over-precise. Such an attribution of costs could help in getting after the policies that lie behind the costs of administration.

Implementation

15. The Examining Officers have set a brisk programme for implementation, with the ground work for the new system being completed by October 1982. I applaud this if it is feasible. But if in the event implementation were to take a little longer, it would not worry me too much as long as the interim proposals for change were put in place quickly and the timetable for implementation of the more radical reforms was clearly stated. The important thing is to get the system reasonably right so that what might be regarded by supporters as teething problems cannot be used by other to discredit the objectives.

16. It is certainly right to set up an implementation unit to take this important study forward. You might consider asking Mr Joubert to head it up, if he is free, thus ensuring continuity of expertise and enthusiasm.

Read across

17. The report offers substantial scope for read-across to other departments. In the light of the scrutiny's findings, which I think should be made available to Ministers more generally when the right time comes, I am sure that there would be great value in a Government-wide scrutiny of the methods of controlling running costs in departments. In effect each department would be asked to appoint an examining officer to review its main running cost areas; to assess past estimating performance and methods; to identify value for money improvements; and to recommend improved accountability arrangements.

18. The examining officer would be encouraged to build upon the Joubert/Derwent proposals and on other work currently being organised from the centre in this area eg the review of R&D support services, travel and subsistence budgets and, of course, the annual scrutiny of running costs exercise itself.

19. Meanwhile you might consider leading the way on such read-across by calling PSA to undertake such a scrutiny. If you were to do so, I would be very happy to include it in this year's scrutiny programme.

20. I am copying this letter to Mr Moseley and Mr Joubert. When I know your response to the report, we shall need to agree on a report to the Prime Minister, as this was one of this year's scrutinies in which she asked me to take a particular interest on her behalf.



Derek Rayner



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

*How for HO response
2/10*

BF

9 July 1981

Timothy Raison Esq MP
Home Office

See Minister,
SCRUTINY OF B4 DIVISION

TDM

I have seen Andrew Jackson's letter of 8 July to Clive Priestley and the draft Answer, which I find disturbing.

The increased level of application is dramatic, but I do wonder whether it is unavoidable for "waiting time" to increase. The existing times, 25 and 13 months, are already frightening. To announce that they are likely to go up to 28, and then to 36, months and 24 months respectively, has a ring of despair.

Is it impossible to find further ways and means of accelerating the process? What will be the effect of the "first come, first served" change, for example? And is it out of the question to meet the cost of some retired policemen, possibly by raising the fee?

I am copying this to the Prime Minister.

Yours sincerely
Derek Rayner

Derek Rayner

From: THE PRIVATE SECRETARY

How for OR



HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

8 July 1981

*1 Mr Pattison
~ Prime Minister 4
for information. You saw
Sir Derek Rayner's minute describing
the follow up to this review at the
end of May. WM*

Des. Priestley

THE SCRUTINY PROGRAMME 198: REVIEW OF B4 DIVISION

... The Home Secretary will shortly be placing copies of the report in the Parliamentary Libraries, together with a note describing the action taken on the recommendations. I enclose for your information a copy of this note, and a copy of the Answer the Home Secretary proposes to give to a Parliamentary Question which is to be arranged, for answer probably just before the Recess. 9/7

I am sending a copy of this to Mike Pattison (No. 10) who will recall that Sir Derek Rayner minuted the Prime Minister about this Scrutiny on 28 May.

Yours sincerely

Alex Jackson

(A P JACKSON)

C Priestley Esq

PARLIAMENTARY QUESTION FOR WRITTEN ANSWER ON

To ask the Secretary of State for the Home Department whether he will publish the report of the departmental scrutiny under the guidance of Sir Derek Rayner into the handling of applications for citizenship of the United Kingdom and Colonies, and whether he will make a statement.

DRAFT REPLY

I have arranged for copies of the report to be placed in the Libraries of both Houses, together with a note of the action taken as a result of the report.

The report made a number of detailed recommendations. A large proportion have been implemented or agreed. Others are still being pursued. Every effort is being made, in the spirit of the report, to improve and simplify further the procedures followed in the processing of applications for citizenship.

The report concluded that in general the existing procedures were necessary and operating with due regard for economy in manpower; that the Nationality Division was likely to continue to face the receipt of applications at a higher level than current staff levels could absorb; and that the alternatives appeared to be the provision of additional staff or the acceptance of longer delays.

The number of applications for citizenship increased from about 32,500 in 1977 to about 50,500 in 1980. The number of applications in the first five months of 1981 was about 37,000, compared with about 22,500 in the corresponding period in 1980.

The Government must have regard to the overriding need to contain public expenditure, which among other things means limiting the size and the cost of the Civil Service. It will not be possible at present to provide additional staff to the extent necessary to reduce the present lengthy delays. I regret that it is unlikely that there will be any improvement in waiting times in the near future; rather, they are likely to increase. The average time taken to complete consideration of an application for the naturalisation or discretionary registration of an adult is now 25 months. It is likely to be 28 months by the end of this year, and may be 3 years by the end of 1982. Other applications for registration now take 13 months and may ^{TAKE} ~~be~~ 2 years by the end of 1982.

ACTION TAKEN ON THE RECOMMENDATIONS IN THE RAYNER REVIEW OF
THE NATIONALITY DIVISION OF THE HOME OFFICE

<u>Recommendation</u>	<u>Action taken</u>
1. The Division should be located with the rest of the Immigration and Nationality Department (IND) in Lunar House.	Agreed by the Home Office. Implementation being discussed with the Property Services Agency.
2. Scientific Advisory Branch's proposals for a feasibility study for a model to predict work levels and arrears should be pursued.*	Agreed.
3. A radical review of existing application forms and explanatory memoranda (including the scope for a multi-purpose form) should be undertaken.* Consultation with O & M should begin as soon as possible.	Agreed. Work has begun and will be completed by commencement of new legislation.
4. The divisional handbook of instructions on registration work and digest on naturalisation procedures should be brought up to date as soon as possible.	
5. The existing range of stock letters should be reviewed.*	
6. A 'policy support group' should be created reporting to one of the two Principals.	Agreed. A group has been set up which is at present engaged on preparing for the implementation of the new legislation.
7. No purpose will be served in extending naturalisation and registration procedures to include the issue of a passport.	Agreed.
8. The scope for limited overtime to deal with particular bottlenecks should be reviewed in the autumn.	Agreed. Some limited overtime has been worked.

9. Central Training Branch should be associated with the review of training which will be necessary in the context of the new legislation and the scope for refresher as well as induction training should be considered.*

10. The possibility of creating a training group should be kept under review.

11. The scope for transfers within the IND as a part of career planning should be pursued.

12. The present worksheets are making an important contribution to monitoring the effects of the new organisation but the scope for making them less comprehensive should be kept under review.

13. Continuous attention by senior and middle management to the management of casework is required.

14. The need to strengthen the clerical resources in the general enquiries, transit and certificate and oaths sections and in the registration groups should be kept under review.

15. The long-term need for a transit section should be kept under review.

Agreed. The training requirements will be identified by the new policy group (see recommendation 6) and CTB consulted on implementation.

Agreed. The present training arrangements involve live cases and the result can be very similar to a training group. A training group could be created as and when the number of people joining the division justifies the arrangement.

This has been and is being done. A continuing commitment.

Agreed.

Agreed.

Agreed. Six posts have been added to the complement to enable the General Enquiries section to be strengthened. The need elsewhere will be kept under review but no further manpower can be allocated at present.

Agreed, but noted that this recommendation largely depends on move to Lunar House (see recommendation 1).

16. More decisions in casework should be devolved from Principal to SEO level. Agreed.
17. The development by Scientific Advisory Branch of 'tactical tools' to assist casework should continue. Agreed. Pilot study completed.
18. The integration of naturalisation and registration work should be extended to EO level as early as practicable. Comparable work should be extended to immigration officers at the same time. Agreed. Integration to be put in hand by commencement of new legislation.
19. The extension of naturalisation and registration work to CO level should await the new legislation.* Agreed.
20. The special section dealing with naturalisation arrears should relieve the Group HEOs of further arrears in due course. Agreed.
21. Revised instructions on polygamous marriages should be issued as soon as possible. Implemented.
22. Comprehensive instructions on minors applications should be issued as soon as possible. Implemented.
23. The scope for reducing N400 checks by EOs should be kept under review. Agreed.
24. The requirement to advertise should be dropped.* Implemented.
25. A less detailed scrutiny of business activities should be tested. Agreed. The Metropolitan Police have been asked to try this out.
26. The effect of waiving personal interviews when the police consider them unnecessary should be tested. Agreed. The Metropolitan Police have been asked to try this out.

27. All certificates should be signed at EO level.

Agreed. It is intended that Regulations under the new legislation should remove the existing necessity for some certificates to be signed at a level not below Assistant Secretary.

28. Power should be taken for the oath of allegiance to be provided as a preliminary to the issue of a certificate of citizenship.

Agreed. The British Nationality Bill contains the necessary provision.

29. A preliminary non-returnable fee should be introduced.

Still under consideration.

30. Power should be taken in the new legislation to charge fees for ancillary services and for copies of certificates issued under earlier legislation.

The British Nationality Bill contains the necessary provision.

31. The current level of fees should be charged if an applicant himself delays progress on his application for more than 12 months.

Still under consideration.

32. The annual naturalisation index should be made available to Embassies and High Commissioners' Offices on repayment. The provision of information about individual grants should then be dropped.

Still under consideration.

33. The annual Command Paper of naturalisation and registration tables should be dropped in favour of publication by way of inclusion in the Statistical Department's periodic bulletins.

Agreed.

34. The JADPU feasibility study for the retrieval of records by computer (and its possible contribution to workload predictions) should be pursued.

Agreed. The feasibility study has now been completed and approved. A full study to design the new system is in train.

* The recommendations marked with an asterisk were intended to be implemented in the context of the new legislation rather than in relation to existing arrangements.

Mr. Rickett

Here is the outcome of our talks last
week on :

Staffing of central depts
Scrutiny of running costs.

2. Sir Derek Rayner did not like the idea
of a single submission, suggesting a single presentation.
So you have a separate minute on each. He himself
attaches much more importance to the staffing
minute.

Sp

8. VII. 81

CONFIDENTIAL

PRIME MINISTER

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

You asked the Chancellor of the Exchequer and the Lord President for advice on the staffing of the Treasury and CSD so as to equip them for their role in promoting and monitoring "the best possible control systems in departments". You also asked for my views.

2. The Chancellor's and Lord President's offices replied to Mr Rickett on 12 and 16 June. My previous minute to you of 19 May and my letter to the Chancellor of 10 June are also relevant.

3. I am very reluctant to burden you with any more paper on this subject, so I shall keep this short.

4. The Treasury and the CSD are now hard at work inventing the wheel of "financial management", the former I think with some enthusiasm and the latter I suspect with rather less.

5. There is indeed a lot of effort involved here. It ranges from Mr Russell Barratt's scrutiny of the Treasury expenditure divisions' role in promoting departmental efficiency; through the attempt to define "financial management" in government (on which the Treasury is leading); to the Coopers and Lybrand case study in MAFF. But there is a certain vagueness about the timetable for change. As far as the centre is concerned, the work in hand is going to need pulling together, with vigour and determination, to produce a pay-off in terms of:

- (1) ensuring that the Treasury expenditure and the CSD manpower divisions have the skill, knowledge and experience to satisfy themselves that spending departments can cope with their various "businesses" economically and successfully; and



- (2) ensuring that departments are properly staffed and equipped (notably in terms of information and appraisal systems) to do their financial and resource management work economically etc.

6. I think that it would greatly help you (and the central Ministers) to receive a presentation on

- (1) the strategy for central control as it is now developing;
- (2) the particular objectives in which it should be expressed;
- (3) what the expenditure division staff actually do now and what they should do in future; and perhaps
- (4) what the financial management function looks like in a department.

7. This would have the advantage of bringing you up to date in a vivid way; enabling you to comment directly to those concerned; and wonderfully concentrating the central departments' minds. If you were attracted by this, I suggest that:

- (1) and (2) might be undertaken by a senior Treasury official, say Sir D Wass, Sir A Rawlinson or Mr Littler;
- (3) might be done by the Treasury and CSD expenditure and manpower Principals responsible for, say, DHSS or another department; and
- (4) - which is an optional extra - might be done by the Principal Finance Officer of DHSS or the other department.

8. In case you like this idea, I suggest the draft letter to the Chancellor's office attached.

9. If you do not, I suggest that the draft should continue after the third paragraph:

"The Prime Minister would be grateful if she could be informed by mid-September of the progress being made with the various exercises now in hand and with their translation into practical policies for change."



Derek Rayner

8 July 1981

Enc: Draft letter to Chancellor's private secretary

CONFIDENTIAL

A

PRIME MINISTER

ASPECTS OF FINANCIAL MANAGEMENT

Case studies of financial control and internal audit in MAFF
and DOI

I am grateful for your request that my unit should join with Mr Wolfson and the Treasury in considering with MAFF and Coopers and Lybrand the latter's analysis of the Department's planning and control systems and their conclusion and recommendations.

2. I think it would be helpful if the same were done in the case of the Department of Industry study coming along later.

Scrutiny of departmental running costs

3. Your wish to examine with two Ministers the outcome of the scrutinies for their Departments should encourage those who care about good management and, on the Admiral Byng principle, some others too. There is certainly no reason for complacency.

4. However, I have some anxiety about a fresh management consultancy. Consultants would have to spend time boning up on the Departments concerned. There might be some hassle about this, including the question of who was going to employ and pay them, especially if they were thought to be appearing, so to speak, "for the prosecution". (The Cooper and Lybrand team of 5 in MAFF are charging £1,120 a day.)

5. I say a "fresh" consultancy because management consultants have been involved this year and it should be possible to build on the contribution they have already made. Mr Heseltine went forward from his survey of running costs to a scrutiny of their estimation, monitoring and control, including the

possibility of establishing local cost centres. This has been carried out by one of his Economic Advisers, Mr C J P Joubert, in consultation with Messrs Peat, Marwick, Mitchell & Co. The report is now available and looks very promising.

6. May I therefore suggest a different approach? I believe that, guided by the purposes of the running costs scrutiny, the "test" questions which were set out in my original letter to the Home Secretary of February 1980 and by the outcome of the DOE scrutiny, you would get a lot of value out of a meeting if you were to ask the Minister and Permanent Secretary concerned:

- X - what plans they make for controlling running costs;
- how they compare actual performance with the plan;
- how they find out the reasons for any difference between the plan and actual performance; and
- what happens as a result.

7. You might find it particularly helpful if the platform for this was a presentation to you by the Department/s, including two or three officials at key levels in the hierarchy, eg:

- X - the Permanent Secretary;
- his Establishment Officer;
- the "line" manager of a large or small cost centre, eg the head of an R&D establishment or the manager of a local office.

8. If this approach suited the purpose you had in mind, I should be glad to brief beforehand and, if it would help, be present to join in the discussion.



9. Whether or not the "presentation" route is acceptable, there is the question of how many and which Department/s.

10. It might be much more manageable to begin with one Department and perhaps go on to a second later. Not the least advantage of this would be that it would help in deciding whether there was a further part for management consultants to play.

11. Possible departmental candidates are set out in the Annex. One is obviously DOE, where Mr Heseltine has been a trail-blazer. I think that DHSS (Social Security) would be another good choice.

12. If you like this approach, I suggest that my staff should work up the details in consultation with Mr Rickett, the Treasury, CSD and the department of your choice.


Derek Rayner
8 July 1981

Enc: List of possible departments

ANNEX

POSSIBLE DEPARTMENTS: Total estimated expenditure 1980-81 (including pension and gratuity liability and equivalent market rents) (1)

<u>Dept</u>	<u>Average staff numbers</u>	<u>£m</u>	<u>Cost per employee £000</u>
Home Office ⁽²⁾	36,190	633	17,497
DHSS ⁽³⁾	96,400	1132	11,746
Inland Revenue ⁽⁴⁾	77,990	763	9,784
Customs & Excise ⁽⁴⁾	27,085	321	11,864
Environment ⁽⁵⁾ (excl. PSA)			
FCO ⁽⁶⁾	16,745	281	16,765
<u>Notes</u>			

- (1) Source: Annual scrutiny of departmental running costs, January 1981, Annex C.
- (2) If the Home Office was included, attention might focus on either Central Services (6,660 staff, £73.5m wages and administrative expenditure estimated for 1981-82) or the Prison Department (26,200 staff, £425.5m). But the Prime Minister might prefer to select a Minister other than the Home Secretary for the purpose.
- (3) If the DHSS was included, attention might focus on Social Security (94,000 staff, £895m wages and administrative expenditure estimated for 1981-82). The Permanent Secretary responsible for this expenditure is Sir Geoffrey Otton, not Sir Kenneth Stowe.
- (4) The Inland Revenue and Customs & Excise are also "big systems" departments. Either would be an acceptable alternative to DHSS. The Ministerial lead would be for the Chancellor or one of his Ministers, but the Revenue might be left off, given the trouble it is having over the pay dispute.

- (5) Mr Heseltine has taken a close personal interest in the running of his department. The latest manifestations of this are (1) his combination of his "Ministerail information system" (MINIS) with the annual public expenditure survey of manpower and (2) his current scrutiny of the control of overhead costs. (The scrutiny is being undertaken by a good Economic Adviser, Mr C Joubert, who might be included in the presentation.)
- (6) FCO is however a rather unusual department and the Prime Minister might prefer to select another Minister for this purpose.

CONFIDENTIAL

John Wiggins Esq
HM Treasury

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

The Prime Minister was grateful for the comments made by the Chancellor of the Exchequer, the Lord President of the Council and Sir Derek Rayner in response to her request for advice on the staffing of the central departments (my letter to you of 21 May).

The Prime Minister takes the point and welcomes the fact that there is a lot going on. She also notes that there is something of a chicken and egg problem here in that providing training and experience for the staff of central and other departments depends on analysing what is meant by "financial management" in government and the skills of which it consists, both generally and in relation to particular departmental activities.

The Prime Minister believes that prompt action to deliver the changes required will be essential and she agrees with the Chancellor's reference to the possible need to bring in help from outside, whether in defining what has to be done to up-grade financial management or to help with the up-grading itself. For example, she would envisage that it might be necessary as a start to mount a crash programme, through the Civil Service College and

training institutes outside government, to train people in the disciplines of good financial and resource management.

(Gos said that she)

The Prime Minister would find it helpful to receive a presentation on these matters ~~{ during the late summer/early autumn }~~ ^{September} when some of the thinking and analysis already in hand are further advanced. She would like such a presentation to cover:

- An overview ^{perhaps by senior Treasury and CSD officials,} of what we are doing and trying to achieve in relation to financial control and management.
- What Treasury and CSD control means in practice now and would mean in future (brief presentations ^{by Principals from the Treasury and CSD} from a Principal head of branch in each).
- ^{A presentation on the} ~~And perhaps~~ financial management and control systems ^{large} in a department: *the Prime Minister has suggested that the Principal Finance Officer of the DHSS might accept this task.*

The Prime Minister would be grateful if the Chancellor or the Chief Secretary would ~~kindly arrange for this to be done~~ ^{set in hand arrangements for such a presentation} in consultation with the Lord President, ^{The Secretary of State} ~~whichever~~ ^{for Social Services} Minister in charge of a department seems appropriate for the purpose, ~~should the idea of including a department in the presentation sit well with its main purpose, and~~ Sir Derek Rayner. ^{The P - M -} She would of course like the Chancellor, the Lord President, the Chief Secretary, the Minister and Sir Derek Rayner to accompany her on this occasion if they are free to do so.

A possible date for this presentation would be 1500 on Tuesday, 8 September.

CONFIDENTIAL

I am copying this letter to Jim Buckley
(Lord President's office), ^{Don Brennan (Mogensen's office)} Terry Mathews (Chief Secretary's
office), David Wright (Cabinet Office) and Clive Priestley
(Sir Derek Rayner's office).

W F S Rickett

CONFIDENTIAL

Spd CP

Govt Mach



Mr RICKETT

ASPECTS OF FINANCIAL MANAGEMENT

1. We had a word yesterday, and you also spoke to Mr Whitmore, about the PM's idea of quizzing one or two departments on their running costs with the help of management consultants.

2. In the light of our conversation, and of subsequent exchanges with Mr Pestell of CSD, I have drafted the attached minute from Sir Derek Rayner to the PM. Before I put it in front of him for consideration, I should be glad to know whether it makes sense from your point of view. Perhaps we could have a word tomorrow about this so that I can get it to him, or something like it, before the weekend.

3. The lists of departments annexed to the minute reflects my discussion with Mr Pestell but I have not exposed him, or to the Treasury, the section of the draft minute following the side-heading, "The overall strategy for financial management".

PA
Mr Pestell 7/7

CP

C PRIESTLEY
2 July 1981

Mr Whitmore I agree.
we spoke.
This seems sensible.
I have told Mr Priestley
he should put it before
Sir Derek.

Enc: Draft minute plus annex

LM
3/7

CONFIDENTIAL

PRIME MINISTER

ASPECTS OF FINANCIAL MANAGEMENT

Case studies of financial control and internal audit in
MAFF and DOI

I am grateful for your request that my unit should join with Mr Wolfson and the Treasury in considering with MAFF and Coopers and Lybrand the latter's analysis of the Department's planning and control systems and their conclusions and recommendations.

2. I think it would be helpful if the same were done in the case of the Department of Industry study coming along later.

Scrutiny of departmental running costs

3. Your wish to examine with two Ministers the outcome of the scrutinies for their Departments should encourage those who care about good management and, on the Admiral Byng principle, some otherstoos. There is certainly no reason for complacency here.

4. However, I have some anxiety about a fresh management consultancy here. Consultants would have to spend some time boning up on the Department/s concerned. They might be some hassle about this, including the question of who was going to

employ and pay them, especially if they were thought to be appearing, so to speak, "for the prosecution".

5. I say a "fresh" consultancy because management consultants have already been involved this year and it should be possible to build on the contribution they have already made. Mr Heseltine went forward from his survey of running costs to a scrutiny of their estimation, monitoring and control, including the possibility of establishing local cost centres. This has been carried out by one of his Economic Advisers, Mr C J P Joubert, in consultation with Messrs Peat, Marwick, Mitchell & Co. The report is now available and looks very promising.

6. May I therefore suggest a different approach? I believe that, guided by the purposes of the running costs scrutiny, the "test" questions which were set out in my original letter to the Home Secretary of February 1980 and by the outcome of the DOE scrutiny, you would get a lot of value out of a meeting if you were to ask the Minister and Permanent Secretary concerned:

- What plans they make for controlling running costs;
- How they compare actual performance with the plan;
- How they find out the reasons for any difference between the plan and actual performance; and

- What happens as a result.

7. You might find it particularly helpful if the platform for this was a presentation to you by the Department/s, including two or three officials at key levels in the hierarchy, eg:

- the Permanent Secretary;
- his Establishment Officer;
- the "line" manager of a large or small cost centre, eg the head an R&D establishment or the manager of a local office.

8. If this approach suited the purpose you had in mind, I should be glad to brief beforehand and, if it would help, be present to join in the discussion.

9. Whether or not ^{the} "presentation" route is acceptable, there is the question of which Department/s. My feeling is that it would be more manageable to begin with one Department and perhaps go on to a second later. Not the least advantage of this would be that it would help in deciding whether there was a further part for management consultants to play. Possible departmental candidates are set out in the Annex. One is obviously DOE, where Mr Heseltine has been a trail-blazer. I think that DHSS (Social Security) would be another good choice.

The overall strategy for financial management

10. Although important, control of running costs is only one aspect of your strategy for financial management. You might find it helpful to have the various parts of the strategy displayed to you. The other bit of tactics to which such an approach might be relevant is the staffing of the Treasury and CSD on which you have recently asked for advice. (The Chancellor's and Lord President's offices replied to Mr Rickett on 12 and 16 June; my previous minute to you of 19 May and my letter to the Chancellor of 10 June are also relevant.)

11. The point is that a lot of work is in progress. It includes the Chief Secretary's scrutiny of the Treasury Expenditure Divisions' role in promoting departmental efficiency; the attempt the Treasury and I are making to define "financial management" in government, especially with regard to the skills needed by financial managers; and the case studies in MAFF and DOI. But all this work will be of limited value unless the centre makes it pay off in terms of ensuring that:

- (1) the expenditure and manpower divisions in the Treasury and CSD respectively have what it takes to satisfy themselves that spending departments can run their various policies, programmes and operations economically and successfully without constantly breathing down their necks; and

- (2) departments are for their part properly staffed and equipped for that purpose.

12. If you were to give some of your time to departmental running costs, may I suggest that it should be in the context of a slightly wider presentation, [either on the same occasion or near to it?]

13. This would have the advantage of bringing you up to date in a vivid way; enabling you to comment directly to those concerned; and concentrating the central departments' thinking. If you were attracted by this, I would suggest an agenda something like this:

- (1) STRATEGY: for financial management as it is developing now, identifying the progress made (notably cash as the basis for planning as well as of control) and the objectives to be achieved: Sir Douglas Wass or one of his subordinates (10 minutes).
- (2) Some of the TACTICS:
- (a) What the expenditure and manpower divisions actually do now: the Treasury and CSD Principals responsible for the policy and administrative expenditures of a particular department (10 minutes each).

(b) What a department does to control its running costs: a Permanent Secretary, his Establishment Officer and a line manager (30 minutes in all).

(3) General discussion

14. Depending on the amount of time you could spare, an optional extra might be an explanation of how the financial management function works in a department. This might be done by the Principal Finance Officer of the department giving the "running costs" display.

15. If you like this approach, I suggest that my staff should work up the details in consultation with Mr Rickett, the Treasury, CSD and the department of your choice.

Derek Rayner

Enc: List of possible departments

ANNEX

POSSIBLE DEPARTMENTS: Total estimated expenditure 1980-81 (including pension and gratuity liability and equivalent market rents) (1)

<u>Dept</u>	<u>Average staff numbers</u>	<u>£m</u>	<u>Cost per employee £000</u>
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<u>Notes</u>			

- (1) Source: Annual scrutiny of departmental running costs, January 1981, Annex C.
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- (4) The Inland Revenue and Customs & Excise are also "big systems" departments. Either would be an acceptable alternative to DHSS. The Ministerial lead would be for the Chancellor or one of his Ministers, but the Revenue might be left off, given the trouble it is having over the pay dispute.

- (5) Mr Heseltine has taken a close personal interest in the running of his department. The latest manifestations of this are (1) his combination of his "Ministerail information system" (MINIS) with the annual public expenditure survey of manpower and (2) his current scrutiny of the control of overhead costs. (The scrutiny is being undertaken by a good Economic Adviser, Mr C Joubert, who might be included in the presentation.)
- (6) FCO is however a rather unusual department and the Prime Minister might prefer to select another Minister for this purpose.

Gork Mach

AM 1/7

cc Mr Rickett for Information
(Without enclosure)



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8550

1 July 1981

J F Halliday Esq
Private Secretary to the
Secretary of State for the
Home Department

Dear John,

PROGRESS WITH THE IMPLEMENTATION OF THE 1979
"RAYNER PROJECTS" AND THE 1980 SCRUTINY
PROGRAMME

The Prime Minister has asked that Sir Derek Rayner's latest progress report (enclosed) should be circulated to Ministers in charge of Departments.

I am copying this and the enclosure to the Private Secretaries of all Ministers in charge of Departments.

Yours sincerely

D R ALLEN



See Mac

FCS/81/90

CHANCELLOR OF THE EXCHEQUER

12

17

Control of Expenditure: Departmental Responsibilities

1. I understand that, in lieu of a Cabinet discussion, you would like written comments on the memorandum attached to your and Christopher Soames' Note, C(81)26.

2. I fully support the aim of improving efficiency in the Public Service, and a memorandum setting out the respective roles of the central and spending Departments is a sensible step in this direction. But I share the reservations already expressed by some of our colleagues.

3. As C(81)26 notes, the main emphasis in recent years has been on decentralisation and on departmental responsibility for finance, manpower and efficiency. This has been reinforced by the cash limit system and it is important that spending Departments should continue to refine their control systems in order to be able to live with cash planning. But this trend, to which I attach importance, as I am sure you do, is difficult to reconcile with closer invigilation and prescription by the central Departments. For this reason, Part B of the memorandum, read in conjunction with Part A, looks too much like an attempt to get the best of both worlds. I share the view of other colleagues in spending Departments that the result may well be confusion rather than clarification. And we really must be very chary of further increasing the burden on finance divisions. In practice, the system will rely - in the future as in the past - on the reality of cooperation between central and spending Departments, which
/is rightly



is rightly emphasised in Part C of the memorandum. But I feel that this would be helped if some of the flavour of the covering Note, for example the third sentence of paragraph 7, could be injected into the memorandum itself to soften the prescriptive tone in paragraphs 11 and 12 of the letter.

If this can be done, I would endorse the memorandum and its release to Parliamentary Committees.

I am copying this minute to the Prime Minister, the Lord President and other Cabinet colleagues.

C

(CARRINGTON)

Foreign and Commonwealth Office
1 July 1981

1 JUL 1981

1 JUL 1981



cc
Spence
Mr Priestley

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

30 June 1981

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Industry
Ashdown House
123 Victoria Street
LONDON SW1

Dr Keith

CONTROL OF EXPENDITURE

Christopher Soames and I are grateful for your comments, and those of Michael Heseltine, Nicholas Edwards, John Biffen, David Howell, George Younger, and Peter Walker, on C(81)26. *at Dept*

We agree with you that the control of expenditure must be a joint enterprise. In paragraph 7 of our note Christopher and I referred to the partnership with spending departments. This is relevant to the points which John Biffen and David Howell made about consultation. We can assure them that the Treasury and Civil Service Department intend close consultation with spending departments whose knowledge and experience will be a necessary help to the central departments in carrying out their duties.

Nicholas Edwards and Peter Walker asked whether the memorandum will lead to greater involvement by the central departments in the work of the spending departments, and put a heavier burden on their staff. We do not intend it to do so. We seek rather a shift of emphasis. The staffs of the central departments are as tightly controlled as those of other departments, and the aim for all must be to improve our joint effectiveness, and not to create needs for additional staff.

The memorandum should now become operative. It will be published very shortly, together with the memoranda on the responsibilities of Principal Finance and Principal Establishment Officers.

I am copying this letter to the Prime Minister, Christopher Soames, other Cabinet colleagues and Sir Robert Armstrong.

y
Howe

GEOFFREY HOWE



205

10 DOWNING STREET

From the Private Secretary

SIR DEREK RAYNER

The Prime Minister was very grateful for your minute of 26 June reporting on the implementation of the 1979 Rayner Projects and the 1980 Scrutiny Programme.

She has noted your report, and agrees that it should be circulated to Ministers in charge of Departments.

I am copying this minute to John Wiggins (HM Treasury), Jim Buckley (Lord President's Office) and David Wright (Cabinet Office).

W. F. S. RICKETT

29 June 1981

20



VLS

Gary Mathews
Secretary
CF

cc D/M
CST

10 DOWNING STREET

From the Private Secretary

26 June 1981

Dear David

PSA Repayment: Cost of Balham Jobcentre

The Prime Minister was grateful for your Secretary of State's minute of 8 June.

The Prime Minister notes your Secretary of State's comments on the PRS repayment system, and the reasons why it cannot allocate the costs of major new works and acquisitions, unforeseen or otherwise.

The Prime Minister also notes that under present repayment arrangements the PSA has no funds to meet unforeseen extra costs, but that it offers an arrangement under which a client can insure against such claims. However she finds it odd that it should be for the customer to insure against the errors of the supplier. Outside Government it would be for the supplier to insure himself against such claims. She has asked if officials from your Department and the Treasury could explore ways of requiring the PSA to meet claims against it, despite the budgetary problems your Secretary of State describes.

The Prime Minister has asked me to add that in pursuing these points she is not suggesting that the PSA are regularly at fault. She recognises the good work the Agency has done. But she is concerned to uphold the principle that the responsibility for meeting costs should lie with those who incur them.

I am copying this to Richard Dykes (Department of Employment) and Terry Mathews (HM Treasury).

Yours
Wilkie Ricketts

D. A. Edmonds, Esq.,
Department of the Environment.

VLS



10 DOWNING STREET

Prime Minister 1

Sir Derek Rayner asks if
he may circulate the attached
report on implementing the
1979 Rayner Projects and the
1980 Sending Programme.

Content?

Wm
26/6

Yes Mr.

PRIME MINISTER

PROGRESS WITH THE IMPLEMENTATION OF THE 1979 "RAYNER PROJECTS"
AND THE 1980 SCRUTINY PROGRAMME

This is to bring you and, if you agree, your colleagues up to date with progress towards implementation of the 1979 "Rayner projects" and the 1980 scrutinies.

2. The Minister of State, CSD, with the help of Sir John Boreham, is monitoring progress with implementation of the Service-wide statistics review. He will report to you separately. I understand that good progress is being made. The main outstanding issue is how many of the 235 posts in the Social Survey Division of the OPCS should be retained. This is being raised in an Adjournment Debate on 2 July by Mr Alfred Morris MP.

1979 "Rayner Projects"

3. I attach as Annex A a summary of progress on the 29 projects carried out in 1979, showing expected savings and the timetable for completion of implementation. This up-dates Annex A of my minute to you of 19 December 1980.

4. Decisions are outstanding in respect of two projects only (Civil Service Department: Charging for Courses at the Civil Service College; Department of Energy: Organisation of Research and Development in New Energy Technologies). A decision on whether to put the Civil Service College onto repayment will be taken soon (you asked for a report from CSD Ministers in June); some changes in College procedures have already been implemented. In the case of the Department of Energy project, the recommended changes now accepted by the Secretary of State require the endorsement of Treasury and CSD Ministers, expected this month.



5. Decisions taken in respect of the other 27 projects have secured recurrent annual savings of £67 million (some 1500 posts) and £28 million once-for-all. The DHSS project on Arrangements for Paying Social Security Benefits accounts for £35 million of the total annual savings.

6. In almost all these projects Ministers have accepted the main recommendations, either as put to them or subject to slight adjustment only. The most significant exception to this is the DHSS project on benefit payments. Here policy considerations other than efficiency led to the rejection of recommendations that retirement pensions should be paid fortnightly and child benefit for existing recipients monthly. Savings foregone as a consequence are £35-40 million a year.

7. Implementation of 9 projects is now complete. It will be completed this year and next in a further 10. In those projects where implementation extends into 1983 and beyond there are normally good reasons (eg computerisation, phasing in of increased charges, big system changes) and implementation has begun.

8. In sum, the general excellence of the 1979 projects has been rewarded by action and good progress is being made towards implementation.

1980 Scrutiny Programme

9. All 39 scrutinies begun in 1980 have been completed. My minute of 19 December 1980 reported on the findings of the programme and lessons to be drawn. I now attach as Annex B a summary of the expected savings, Ministers' decisions and the timetable for the implementation of each scrutiny.

10. The scrutinies identified potential recurrent savings of £128 million per annum and 9500 posts. Of these, £75-80 million (5000 posts) are associated with the joint DE/DHSS scrutiny of the Payment of Benefits to the Unemployed.

11. Ministers have taken firm decisions in 24 of the scrutinies, securing savings of £22 million a year and 1700 posts. In a further 5 scrutinies decisions in principle already taken by Ministers are subject to consultation and further study; these involve potential savings of £80 million a year and 5200 posts.

12. Ministers have yet to take decisions in 10 scrutinies (involving potential savings of £26 million and 2600 posts) but will be doing so in most cases very soon. This is because the reports were late finishing or the recommendations are being worked up further or consultations are being undertaken prior to a decision in principle. In one case, the Inland Revenue scrutiny of Rating Appeals, decisions are held up pending completion of the DOE review of the rating system.

13. Where decisions have been taken Ministers are, as with the 1979 projects, tending to accept the main thrust of the reports' recommendations and to move quickly to implementation. In most cases, implementation will be concluded this year and next. Where it extends beyond that, the phasing is understandable.

Recommendation

14. I invite you take note of this report and to agree that it should be circulated to your colleagues. At this stage, I am copying it only to the Chancellor of the Exchequer, the Lord President and Sir Robert Armstrong.



Derek Rayner
26 June 1981

DEPARTMENT	PROJECT	EXPECTED SAVINGS £ pa	POSTS	IMPLEMENTATION	COMMENTS
Home Office	The Radio Regulatory Department	£2.45m	8	1983/84	All of report's main recommendations accepted. Most of savings (£2.5m) derive from increased charges for licences. Over half of savings and extra income achieved by 1981/82. Successful implementation still subject to continuing negotiation of licence fees with affected parties.
Lord Chancellor's Department	Attachment of Earnings Procedure	-	-	Summer 1981	All of main recommendations accepted. Main benefit is better speedier service to creditors. Realisation of this dependent upon meeting of Rule Committee in July 1981. Part of recommendations already implemented.
Foreign and Commonwealth Office	Merger of FCO and ODA	£0.59m	30	December 1980	The project report was followed up by a Management Review of the ODA, which reported in July 1980. Implementation of that review's findings complete. Further savings possible but yet to be quantified following review of Common Services.
HM Treasury	Paper Handling and The Registry System	£0.15m	18	April 1981	All of report's main recommendations accepted and implemented.
Inland Revenue	PAYE Movements Procedure	£2.15m	350	April 1981	All of report's main recommendations accepted and implemented.
Customs and Excise	Review of London and South East Collections	£0.96m	68	December 1980	All of report's main recommendations accepted and implemented.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Department for National Savings	Handling of correspondence with members of the public	£0.28m	20	September 1981	All report's main recommendations accepted. Implementation begun. 75 per cent of savings achieved by November 1980; remainder was delayed by need for Legislation.
Department of Industry	Review of Statistical Services	£0.81m	70	1984/85	Most of recommendations accepted. Over half of savings will be achieved in 1981/82 and build up progressively thereafter.
Civil Service Department	Charging for courses at Civil Service College	-	-	(See comments)	Some changes in College procedure already implemented; decision on whether to charge for courses to be taken in June 1981.
Department of Employment	Peaking of work in unemployment benefit offices	£0.6m	100	1981/82	Main recommendations accepted and implementation begun with around half savings already achieved. Some recommendations cannot be implemented for the time being due to increase in unemployment and limited computer capacity, but not affecting savings.
Department of Employment	Part-time and small full-time benefit offices	£0.5m	6	(see comments)	Main recommendations accepted and implementation begun. However closure of offices put on ice due to increase in unemployment (potential savings £0.55m)
Manpower Services Commission	Review of Skillcentre network	£5.1m plus £20.8m once-for-all	400	1983/84	Report's recommendations incorporated in Commission proposals. Half of closures already achieved. 75 per cent of savings expected in 1981/82. Planned closure of two centres subject to review. Once for all savings derive from retrenchment of forward capital Programme. Further such savings can be expected (but not yet quantified) as existing properties are released.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Manpower Services Commission	Review of TOPS Allowances	£4.0m	23	April 1981	Report taken forward in follow-up study. There will be some additional but unqualifiable expenditure in DHSS.
Ministry of Defence	Review of arrangements for supply of food to armed forces	£0.33m plus £3.5m once-for-all	7	1981/82	Main recommendations accepted except for closure of testing laboratories overseas. Also still await decisions on whether food supply should be transferred to NAAFI. Most of annual savings and two thirds of once-for-all savings already achieved.
Ministry of Agriculture	Administration of capital grants to farmers	£2.0m	380	October 1980	Report's recommendations accepted in the main. Those rejected have no effect on savings. Savings are achieved fully in 1982/83 but 85 per cent achieved in 1981/82.
Department of Environment	Provision of Management information for Ministers	-	-	April 1980	Report's recommendations accepted and developed to form MINIS. Report not about direct savings but providing the information base for good and effective management.
Property Services Agency	Management of the Kingston estate	-	-	November 1980	Main recommendations accepted. Recommendations aimed at improved management rather than immediate savings. Scope for savings through more intensive development of Kingston estate frustrated by lack of funds. Some recommendations taken up in wider reviews.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Property Services Agency	Energy Conservation on the Government estate	-	-	End-1981	Main recommendations accepted. Savings attributable to report's recommendations not quantifiable. They will contribute to achievement of energy conservation target of 12 per cent of 1978/79 levels by the end of 1981/82.
Property Services Agency	Maintenance Economy Review (Bath)	£0.28m plus £4.0m once-for-all	17	1982/83	Major part of recommendations accepted and being implemented. Those rejected (with savings forgone of £2.1m once-for-all and £0.1m annually) are mainly due to changes in MOD deployments since completion of the study. But MOD have proposed alternative property disposals to off-set these retentions. Over half annual savings achieved by 1981/82 and £1.15m of once-for-all savings already achieved.
Scottish Office	Review of Consultative Committee on the Curriculum	£0.12m	5	May 1982	Main recommendations accepted subject to some modification. Longer term picture still subject to evaluation in the light of a new streamlined CCC structure being evolved. 75 per cent of savings achieved in 1980/81.
Welsh Office	Controls over local authorities in respect of highways	£0.11m plus £0.01m once-for-all	10	August 1980	Recommendations accepted and implemented.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Welsh Office	Controls over LEA building	£0.07m	9	1981/82	Recommendations accepted and being implemented. 70 per cent of savings achieved in 1980/81.
Northern Ireland Office	Rate Collection system in Northern Ireland	£1.46m plus £0.03m once-for-all	180	April 1983	Recommendations accepted subject to slight modification. Main cause of long period of implementation is need for computerisation (capital cost £1.4m). Process of implementation begun.
Northern Ireland Office	Methods of recovering public debt	-	-	End 1981	Recommendations accepted in the main. Project not about savings. Rather aimed at returning to "normal" methods of debt recovery without a deterioration in debt collection. Most recommendations implemented by End-1980. Ministers still considering two areas.
Department of Health and Social Security	Frequency and method of benefit payments	£35m	+300	End 1983	Recommendations accepted in part only. Savings of £35-40m foregone as a consequence of those recommendations rejected. Savings build up gradually over period to 1987/88 with half achieved by 1984/85.
Department of Trade	Services to Exporters	£9.8m	100	1985/86	Recommendations accepted except that there will not be 100 per cent recovery of full costs from long-standing participants in trade fairs as recommended (possible £4m savings foregone). Recommendations relating to reorganisation still being worked up for completion mid-1981. Savings derive from the project and related recommendations made by BOTB. Over half savings achieved in 1981/82 and will build up progressively thereafter.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Department of Energy	Organisation of non-nuclear research and development on new energy technologies	£0.18m	+28	(see comments)	The project was followed up by further reviews. Implementation still subject to outcome of consultations with Treasury/CSD. Decisions expected end-June 1981.
Department of Education and Science	Administration of the teachers pension scheme	-	-	(see comments)	Main recommendations accepted. No immediate savings identified in report. Eventual savings dependent upon making fundamental changes which are now subject to follow-up study.
Department of Transport	Review of Road Construction Units	-	-	1981/82	Main recommendations accepted; lesser recommendations subject to study. Recommendations aimed mainly at "privatisation" of most trunk road and motorway building, leading to 1,400 LA employed staff being transferred at a once-for-all cost of £6m (mainly redundancy payments).

1980 SCRUTINY PROGRAMME

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Home Office	Applications for naturalisation and registration as a UK citizen	-	-	(See Comments)	Recommendations already implemented in the main. Remainder dependent upon passage of New Nationality Act.
Lord Chancellor's Department	Administrative arrangements for jury summoning and service	£0.16m	-	1981/82	All of report's main recommendations accepted and implementation under way.
Foreign and Commonwealth Office	Official transport abroad	£0.30m	26	November 1981	All of report's main recommendations accepted. Implementation of most already completed.
Overseas Development Administration	Directorate of Overseas Surveys	£2.3m	190	(See Comments)	Report's main recommendations accepted but question of location of DOS still subject to consultation. Timetable of implementation still to be worked out.
HM Treasury	Monitoring of Central Government expenditure	-	-	Early 1982	Main recommendations accepted and implementation under way. Benefit of scrutiny lies not in immediate savings but in more effective control of departmental expenditure in-year.

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS £ pa	Posts	IMPLEMENTATION	COMMENTS
HM Treasury	Procurement and movement functions of UKTSD	£0.25m	27	April 1981	Main recommendations accepted. UKTSD staff transferred to MOD absorbed in manpower ceilings.
HM Treasury	Rating of Government Property Department	£0.45m	32	(See Comments)	No decisions yet taken (expected Summer 1981).
Inland Revenue	PAYE deduction cards	£3.8m	700	April 1981	Scrutiny report was followed up by a further study and the savings reflect this. All recommendations accepted except for one (foregoing £30,000 a year)
Inland Revenue	Use of accounts registers in tax districts	£1.0m	190	November 1980	All recommendations accepted and implemented.
Inland Revenue	Review of rating procedures	£1.9m	300	(See Comments)	No decisions yet taken. (Awaiting decisions on the future of domestic rating.)
HM Customs and Excise and Inland Revenue	Arrangements for dealing with insolvent tax payers	£0.5m	56	(See Comments)	No decisions yet taken on procedural changes. (Subject to further study.)

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
HM Customs and Excise	Control of distilleries and associated warehouses	£1.2m	123	1984/85	All recommendations accepted subject to slight modification only. Timetable of implementation reflects need for sensitive handling of personnel issues and time for trade to adapt to new procedures.
Department of National Savings	Computerisation of Premium Savings Bonds	-	-	October 1983	Recommendation accepted and implementation already begun. Report not about additional savings but the earlier realisation of already planned savings.
Department of Industry	Administration of Regional Development Grant Scheme	£0.55m	75	1983/84	Most of main recommendations accepted. (Those rejected might have saved up to £0.55m.) The greater part of recommendations will be implemented this year.
Paymaster General's Office	Working relationship between FGO and the Banks	£0.04m	3½	August 1980	Recommendation accepted and implemented.
Civil Service Department	Technical Services organisation of Central Computer and Telecommunications Agency	£0.74m	36	(See Comments)	No decisions yet taken. (Expected later this month following completion of follow-up work.)

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Departments of Employment and Health and Social Security	Payment of benefits to the unemployed	£75-80m (But once-for-all cost of £45-90m)	5,000	(See Comments)	Final decisions dependent on outcome of consultation and further study (expected July).
Manpower Services Commission	Review of the Training Services Division organisation	£1.00m	27	(See Comments)	No decisions yet taken, (Expected July)
Health and Safety Executive	Problems of assessing the costs and benefits of health and safety requirements	-	-	July 1981	Report's recommendations accepted. Not about immediate savings but providing the right framework for decision making and therefore savings in the longer term (both inside and outside Government).
Ministry of Defence	The Claims Commission	£0.22m	-	(See comments)	Final decisions dependent on outcome of consultations (expected Autumn 1981).
Ministry of Defence	Provision of secondary education overseas	£2.75m	228	July 1983	Main recommendations accepted subject to some amendment. Savings will be achieved over the period to 1983. Educational standards will be maintained.

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Ministry of Defence	Economy in major new building works	-	-	(See Comments)	43 of the report's 52 recommendations have been accepted in whole or in part. Only 2 have been rejected, with the remainder still under consideration. The Action Document, setting out a timetable of implementation, is outstanding.
Ministry of Defence	Inspection and audit	£2.8m	200	(See Comments)	No decisions yet taken (expected June/July)
Ministry of Defence	Assisted travel schemes	£1.2m	-	1981/82	Report's recommendations accepted in the main and most will be implemented by October 1981.
Ministry of Agriculture, Fisheries and Food	Enforcement of quality standards for horticultural produce and the work of the Egg Marketing Inspectorate	£0.25m	37	(See Comments)	No decisions yet taken. (Expected July)
Department of the Environment	Financial control of the water industry	-	-	(See Comments)	Scrutiny's conclusions overtaken by Minister's decisions to apply to the water industry the same framework of financial disciplines as had been agreed for Nationalised Industries.

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Departments of the Environment and Transport	Joint DOE/DTP regional offices	£1.2m	67	(See Comments)	Decisions vet to be taken on parts of the report (expected by end-Autumn). Decisions already taken provide for savings of £0.70m (27 staff) to be achieved over the period to 1983/84.
Property Services Agency	PSA works transport	£0.23m	5	October 1981	Report's main recommendations accepted and implementation begun.
Scottish Office	Advisory and monitoring functions of Scottish Development Department	£0.06m	3½	1981/82	Report's recommendations accepted and being implemented
Forestry Commission	Administration of Private Woodland Grants and control of felling	£0.59m	47	(See Comments)	Final decisions vet to be taken in the <u>light of consultations.</u>
Welsh Office	Procedures for processing major NHS building projects	£0.11m	5½	April 1983	Report's recommendation accepted in the main. Implementation will be mainly complete, and savings achieved, by end-1981. April 1983 timetable applies to one recommendation only.

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Northern Ireland Office	Financial administration in Northern Ireland	-	-	April 1982	Report's recommendations accepted in principle and taken forward in context of a wider study of N. Ireland administration (yet to be considered by Ministers). Report not about immediate savings but providing the "right" framework for effective management and control.
Department of Health and Social Security	Activities in support of health care exports	£0.45	24	1984/85	Main recommendations accepted but slightly longer timetable of implementation than recommended. Half savings achieved by 1981/82.
Department of Health and Social Security	Validation of National Insurance Contribution Records	£15.5m	1,810	(See Comments)	No decisions yet taken. (Expected July)
Department of Trade	Review of the Patent Office	£3.5m	268	End 1983	Report's recommendations accepted. Implementation begun and to be completed by end-1982 in the main.
Department of Energy	Economic and Statistical Services	£0.17m	9	March 1984	Report's 22 recommendations accepted except for 2. Implementation already complete in the main.

DEPARTMENT	SCRUTINY	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Posts		
Department of Education and Science	Administration of student awards	£1.9m	-	(See Comments)	No decisions yet taken (delayed by consideration of student loans question. Expect decisions in Summer/Autumn).
Department of Transport	Enforcement of Vehicle Excise Duty	£5.3m	-	1982/83	Recommendations accepted except for proposal for a tax on possession. Implementation has begun and will be completed this year in the main.
Department of Transport	Standards and Certification of Roads and Bridges	£1m	60	(See Comments)	No decisions yet taken (expected Autumn). The savings could be considerably more than indicated by the report.

ms

PRIME MINISTER

You will remember the s t o r y of the Balham Jobcentre. The Chief Secretary commented that this illustrated the need to reconsider the rule whereby PSA customers pay for all unforeseen costs, even where these were caused by mistakes by the PSA. You supported his view that officials should look into this rule.

Mr. Heseltine has minuted (at A) explaining:

- (a) That under existing repayment arrangements, the PSA must recover the full costs of the service, and therefore has no funds to meet unforeseen costs itself. However it offers an arrangement whereby the client can pay an "insurance premium" in return for which PSA accepts liability for extra costs for which it is responsible.
- (b) That under the new repayment arrangements, Departments will not be charged on a building by building, job by job basis. They will pay an inclusive accommodation charge designed to reflect their space requirement and its location. The system will therefore not be able to allocate specific costs,unforeseen or otherwise.

I have consulted Derek Rayner's Office. We both feel that the idea of an insurance premium paid by the client looks very odd. In the private sector, it would be for the supplier to insure himself against claims. I think that in noting Mr. Heseltine's comments you might wish to question this particular point. Content for me to send the Private Secretary letter at B?

Amend

CPSA

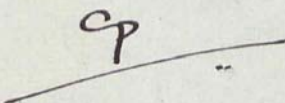
Yes ms

26 June 1981

Mr RICKETT

COST OF BALHAM JOB CENTRE

1. Thank you for your minute of 10 June.
2. Mr Heseltine is right to say (para. 3) that the new "PRS" repayment system is different from that for existing repayment clients.
3. The difference is that departments are not charged on a building-by-building, job-by-job basis and that new acquisition will continue to be carried by PSA, as will major new works on the common user civil estate.
4. Major new works on the specialised estate will be borne on Department's PES, however (though not on their Vote). The question arises therefore what happens if major new works on the specialised estate go wrong and more new works expenditure to put it right is needed. Will the department have to make a new bid in PES?
5. With regard to present payment arrangements, for existing repayment clients, the idea of an insurance premium paid by the client looks distinctly odd. I understand that it would not be found in the private sector. There it is for the supplier to insure himself against claims. The Prime Minister might wish to question the reasonableness of the customer having to insure himself against the supplier's errors. Sir Derek Rayner has commented, "This is repayment, not the Tote".
6. I attach a possible private secretary letter. You may feel that para. 3 is not a "Prime Ministerial" point and is better omitted.


C PRIESTLEY
22 June 1981

[Blind copy: Mr Priestley]

David Edmonds Esq
Department of the Environment

PSA REPAYMENT: COST OF BALHAM JOB CENTRE
INSURING AGAINST MISTAKES

1. The Prime Minister was grateful for your Secretary of State's minute of 8 June.

31D The P-M - notes that under present repayment arrangements the PSA has no funds in the insurance

2. The Prime Minister finds it odd that it should be for the customer to insure against the errors of the supplier. Outside Government it would be for the supplier to insure himself against claims against him. She has asked why PSA should not be required to meet any claims against it from its own budget.

to meet unforeseen extra costs, however she but that it offers an insurance arrangement under which a client can insure against these. However she

if Dept officials should explore ways of requiring the PSA to meet claims against it despite the budgetary problems your Gov's faces.

3. The Prime Minister understands what your Secretary of State says about the accommodation charge in the "PRS repayment system" and PSA's continuing responsibility for acquisitions but has asked what will happen in the case of new works on the specialised estate, the cost of which is borne on departments' own PES?

4 The PM has asked me to add that in pursuing these points she is not suggesting that the PSA are regularly at fault. She recognises the good work the Agency has done. But she is concerned about the principle that the responsibility for its meeting costs should now be with her the owner now.

4. The Prime Minister would be grateful if ^{this} these points could be considered by your Secretary of State's officials and the Treasury and if she could be informed of the outcome in due course.

5. I am copying this to Richard Dykes (Department of Employment) and Terry Mathews (Treasury)

W F S Rickett

also
2P The P-M - notes your Secretary of State's explanation of the PRS repayment system, and the reasons why it cannot allocate the costs of major new works and acquisitions, unforeseen or otherwise.

*Govt Sec
Rayner 11/9*



BF

avail for Rayner's reply. um 23/6

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

22 June 1981

De Aul

JOINT FCO/PSA REVIEW OF DIPLOMATIC ESTATE MANAGEMENT

In your minute of 23 January to the Prime Minister on repayment for PSA services, which you copied to me, you referred to this joint review and recommended that its Report be awaited before further consideration was given to certain outstanding issues in relation to the overseas diplomatic estate.

The Report of the Steering Group has now been received and I enclose a copy. Membership of the Group is set out at Annex A of the Report and you will note that we had the benefit of advice from 2 independent members experienced in international estate management.

You were in favour of the FCO paying direct for PSA Supplies services for the diplomatic estate overseas, but advised that Ministers should await the report of the Joint Review before taking a final decision. The Steering Group reached the same conclusion and recommended accordingly (paragraphs 7.14 to 7.18). I am sure this is sound and I know that the Foreign and Commonwealth Secretary also concurs. A study is now being made, in consultation as necessary with the Treasury, of the detailed changes necessary to introduce repayment with effect from the next financial year.

On the wider estate management questions, you accepted that existing arrangements for the Diplomatic Estate should broadly stand for the present, but recommended that a more specific study should be undertaken to devise improved methods of keeping FCO aware of the value of the assets they are using. However, you proposed that the outcome of the Joint Review should first be awaited.

The main conclusions of the Report are set out in Section 2.2 and there is a full list of recommendations at Appendix C. As you will see a number of these bear on the theme of increasing awareness of cost. The broad thrust of the Report is towards giving more discretion to posts overseas and placing greater responsibility on them for management of the local estate through an annual budgeting system and for controlling expenditure within financial allocations made in the light of their expenditure bids.

The Report also proposes measures aimed at sharpening FCO's appreciation of the estate's potential. These are discussed in paragraphs 10.5 to 10.11 of the report. While, for various reasons you will readily understand it would be unrealistic to think that we can maintain a regular and comprehensive professional valuation even at those posts at which there is an active property market, there is no reason why a simpler system, which would have the same effect, cannot be introduced as recommended in the report. The details of such a

system are now being worked out.

Besides increasing local awareness of the value of the assets used overseas, these valuations would also feed into the regular, rolling review of holdings which is carried out jointly in London by PSA and FCO. The report recommends that this review should be sharpened up into a more effective instrument for identifying opportunities for asset recycling and for instituting a rolling programme of profitable estate disposals. Again the Foreign and Commonwealth Secretary and I believe that this represents a very useful step in the right direction.

Many of the other recommendations will contribute further to the aim of efficient and economical management of the estate ensuring that, consistent with its operational role, its potential is fully exploited.

But there are constraints limiting the distance and speed at which we can move in the direction of greater delegation and there are a number of risks which clearly we must guard against. The recommendations need to be translated into practical, suitable defined arrangements before we can reach firm decisions. Officials in the 2 departments are now working on this and will be reporting further to Ministers shortly.

The independent members of the Steering Group, while endorsing the main recommendations, wished to go further down the same road and, in particular, to transfer Vote responsibility from PSA to FCO. Their views are set out in Section 9 of the report and conveniently summarised at paragraph 9.19.

Given co-location of the PSA and FCO Headquarters staffs involved and the existing very close inter-working which would be reinforced by the other measures proposed in the report, I think it is open to considerable question whether this further move would be advantageous, though I know Peter Carrington views this differently. However, we are both agreed that the pros and cons should be looked at and this aspect will therefore be covered in the further report I have referred to above.

I will of course let you know what conclusions are reached. In the meantime I suggest that with this work now well in hand, it should be regarded as fulfilling the more specific study of the overseas diplomatic estate to which you referred in your minute to the Prime Minister. I should be glad to know if you agree.

I am copying this letter without the report to the Prime Minister and also to Peter Carrington, Geoffrey Howe, Christopher Soames and Sir Robert Armstrong.

you see
Mike

MICHAEL HESELTINE

23 JUN 1981

23 JUN 1981

Gov Mover. Payer PLS

Sir Derek Rayner

Sorry for holding these pp. *WR* 22/6



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

WR 22/6

The Rt Hon Sir Geoffrey Howe QC MP
HM Treasury
Parliament Street
London
SW1

22 June 1981

As before

CONTROL OF EXPENDITURE

You invited comments on the memorandum on control of public expenditure and departmental responsibilities which you circulated with your Note C(81)26. *WR*

I fully recognise the importance of working for improved systems of control of financial and manpower resources. I am sure you will accept however that in pursuing this aim the central departments must have regard to the total impact on staffing of the various improvements they seek to introduce. Given severely squeezed manpower ceilings there is a limit to the speed with which departments can develop and implement new or improved systems where these impose an additional work-load on the limited manpower resources available.

Subject to this general point I am content to endorse the draft memorandum without discussion.

I am copying this letter to the Prime Minister, Christopher Soames and other Cabinet colleagues.

WR
WR

PETER WALKER

Willie

Remember
OK.

WNV
4/8

Mrs. Thomas in Sir

Derek Rayner's Office says

that the attached letter of 19th June
(just copied to us) answers your

note of 29/5 on Louis Smith's

earlier letter to Michael Alexander
dated 22nd May 1981 (at flap).

[Although it refers to letters of
the 2nd and 3rd June].

eWill
4/8/81



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

19 June 1981

Louis Smith Esq
134 Sheen Court
Upper Richmond Road West
Richmond-upon-Thames
Surrey

Louis Smith
Many thanks for your letters of 2 and 3 June. I have also received a copy of your report from Sir Anthony Royle.

In your letter of 2 June you query the number of tribunal chairmen and members compared with the frequency of sittings. I understand that although some sittings are over very quickly, the time taken by the chairmen and members in preparing for them can take very much longer. This accounts, at least in part, for the apparently high number of people involved. I have some sympathy with the points you raise about unreasonable applications, but as you know, this is a particularly sensitive area where justice must be seen to be done. Equity does, as you point out, cost money, but successive governments have judged that this is a necessary expense. I also agree that many of the awards look small, but even a small award can come in useful to someone who has lost his job.

I was interested in the points you raise in your letter of 3 June and in your report about the apparently over-generous allocation of law publications. I understand that the Department of Employment are currently doing a survey (staff inspection) of the industrial tribunal organisation and that this will cover law libraries and the arrangements for issuing publications. I have asked to see a copy of the report when it is available and will look carefully to see what is recommended on this.

This survey will also cover the areas where you identified over-staffing and bad organisation. Again, I will look closely at the report's conclusions.

I am grateful to you for bringing these matters to my attention. I can well appreciate the time and effort which you must have put into your report. I am sorry that your civil service career has ended on a rather unhappy note, but I would like to give you my very best wishes for your retirement.

I am copying this letter to Sir Anthony Royle.

Derek Rayner
Derek Rayner

RESTRICTED



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON :
SW1P 3AG

17 June 1981

C(81)26: CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

I have read your memorandum with interest and I am content to endorse it and your proposals for its release.

I hope that the main purpose of any effort Treasury and CSD are able to bring to bear in the field covered by the memorandum will be to simplify and render more effective the general systems under which we control and monitor public expenditure. I should not want the memorandum to give Select Committees a further opportunity to try to drive wedges between the two central Departments and other Departments. For that reason I support what Keith Joseph, John Biffen and Nick Edwards have said in their letters.

I am copying this letter to the Prime Minister, the Lord President, other members of the Cabinet and Sir Robert Armstrong.

GEORGE YOUNGER

CONFIDENTIAL



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

From the Private Secretary

16 June 1981

Willie Rickett Esq
10 Downing Street

Dear Willie,

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

The Lord President has considered the Prime Minister's question about the staffing of the central departments, conveyed in your letter of 21 May, as it applies to the Civil Service Department. I understand that the Chancellor's Private Secretary is replying separately in relation to the Treasury.

The question is certainly an important one. Where the CSD is concerned, the new role represents a considerable change of emphasis rather than a totally new departure; since its inception the Department has been advising spending departments on a wide range of subjects which bear on good management. So we have a certain stock, though not enough, of skill and experience on which to build. But the change of emphasis is very important; prescription carries a heavier responsibility than advice and must be more sure of its ground.

The two main areas in which the CSD will be developing its prescriptive role are systems for the control of resources and the personnel management and training which those systems call for. On both fronts the biggest need is in the field of financial management, where the job of the CSD will mainly be to prescribe personnel management and training arrangements to meet the needs of what the Treasury prescribes: the two central Departments will have to work very closely together, as they are doing on the Financial Management Co-ordination Group. Our staffing problem here will be mainly on the training front. We shall want to make use of expert help from outside the Service, but an essential contribution to carrying out the training must be made by experienced and skilled staff from departments, where they will be a valuable commodity in short supply. We expect departments to release them for spells at the Civil Service College for the greater general good. On the personnel management side, arrangements have already been made, as the Prime Minister knows, to check with departments their plans for succession and training for key finance and establishment posts. These will be refined and improved as we make progress.

CONFIDENTIAL

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On other subjects of CSD concern, we are drawing up plans for a greater element of central prescription in the control of manpower; the use of management levels and the Civil Service grading structure; the use of supporting services such as typing, messengers, stores; and computers and office machines. To a considerable extent we have got the necessary skills and experience in these areas, but we shall need to draw on outside consultants help as necessary. And we propose to put a greater emphasis on the systematic training of CSD staff in the essential elements of the management systems we shall be prescribing and in the best methods of checking their functioning.

I am sending a copy of this letter to John Wiggins (Treasury), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

*Yours sincerely,
Jim Buckley.*

J BUCKLEY

CONFIDENTIAL



2 PPS

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

Mr Ridett

6 June 1981

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer

Spencer Geoffrey
CONTROL OF PUBLIC EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

I am glad that the Prime Minister gave the go ahead for the paper which the Lord President and you wanted to put to your Cabinet colleagues. I hope that all the hard work which went into its production is rewarded by the right response from Ministers. This letter briefly picks up the Prime Minister's request for information about the staffing of the central departments.

2. There is obviously a lot going on, perhaps most important of all the move to cash as the basis for planning public expenditure as well as for control. At the moment, some of the main contributions to reform are

- the Coopers and Lybrand analysis of MAFF's arrangements for financial management (and I hope they will do a second department to give a more representative analysis);
- work on the framework of Government accounting;
- the impending scrutiny of the Treasury's role in promoting efficient departmental systems; and
- the draft statement of policy on and a plan for training in financial management being prepared by Ken Sharp, the Head of the Government Accounting Service.

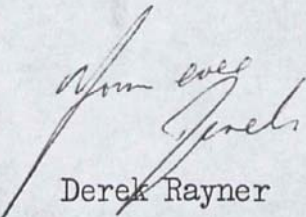
3. I expect all this work to make a substantial contribution to determining what "financial management" is all about. It has both inter-departmental aspects (the Public Expenditure Survey system, Vote accounting, cash limits etc) and a range of different departmental businesses - for example, the Social Security side of DHSS, the procurement side of MOD and the industrial grants side of DOI seem to me to represent very different sorts of business. Some of the work is on different timescales, but I don't think that matters much, as we are well

within sight of deciding on the particular objectives we need to go for in the two crucial areas of information and personnel; I would think that will be in the early autumn.

4. Personnel is the critical factor. Excellent information is no good by itself. Here I hope for great assistance from the work Ken Sharp has in hand (para. 2 above) and from the Treasury scrutiny which I should like to see make an early start. Ken Sharp's work will help in defining what part of the central departments' staff, especially the Treasury's, will play. The crucial issues for the centre in relation to departmental systems are, I think:

- ensuring that departments are properly staffed, both in the line, where it is handling sophisticated financial business, and in the finance branch; and
- ensuring that its own staff have the capacity to satisfy themselves that departments can cope with sophisticated financial business.

5. Needless to say, I shall be very glad to contribute to thinking as it emerges. I am copying this to the Prime Minister, the Lord President, Sir Ian Bancroft and Sir Douglas Wass.



Derek Rayner



SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
TELEPHONE: 01-211 3000
211 6402

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
SW1P 3AG

1/6 June 1981

Dear Sir

C(81)26: CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

I understand that you would like to have written comments on the memorandum attached to C(81)26.

I fully accept that the central departments have a duty to prescribe the basic elements of control systems, to set the standards to which systems should operate and to assist departments by acting as repositories of expertise on management techniques and as stimulants to the adoption of best practice.

However, I support the views expressed by John Biffen and I share Nicholas Edwards' concern lest the memorandum lead to increased Treasury involvement in the work of spending Departments. The open-ended nature of sub-paragraphs 11(iii) and (iv) could have such an effect.

Spending Departments carry out their own internal audits (the standard of which will be improved by the action that the central departments have set in train); they are subject to investigation by Exchequer and Audit; they participate in centrally co-ordinated action on Rayner studies; and they are subject to inquiry by the departmental Select Committees. In the light of this, they are bound to be concerned about the potential burden of the checking proposed in the memorandum.



It would be helpful to know, before the memorandum is agreed, how the Treasury and CSD propose to carry out this checking. If that is not practicable, then I suggest that John Biffen's suggestions about the right of spending Departments to be consulted should be extended to cover the nature, extent and frequency, of checks.

I am sending a copy of this letter to the Prime Minister, the Lord President, other Members of the Cabinet and Sir Robert Armstrong.

Howell

Howell

D A R HOWELL

CONFIDENTIAL

Mr RICKETT

CSD will be commenting today

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

1. The Chancellor's ^{will we?} message to the Prime Minister (Mr Wiggins's letter to you of 12 June) is broadly in line with much of Sir Derek Rayner's submission of 19 May and his letter to the Chancellor of 10 June (copied to the PM).
2. Things which are certainly moving in the right direction are:
 - the Treasury's reception of Accountancy, Finance and Audit Division from CSD (as witnessed by what was said by Sir A Rawlinson at a presentation by AFA, attended by Sir D Rayner, on 12 June);
 - the re-appraisal of the Government's "accounting framework"; and
 - the case studies of financial management in MAFF and DOI, although these are the result of the PM's rather than a Treasury initiative.
3. Things we shall have to watch but of which we are hopeful are:
 - the scrutiny of what the Treasury's Specific Expenditure Divisions need to do their job well (on which Sir D Rayner is seeing the examining officer, Mr Russell Barratt, Deputy Secretary, today); and
 - training in financial management (on which Sir D Rayner is well at work with the Treasury, CSD and the Head of the Government Accountancy Service).
4. Sir Derek Rayner is also to discuss much of this with Sir Douglas Wass on 19 June.
5. I suggest that, in line with the penultimate paragraph of Mr Wiggins's letter, you should invite a contribution from CSD. When that is available Sir Derek Rayner will offer advice.

CP

C PRIESTLEY
15 June 1981



10 DOWNING STREET

Gab Mich
Le Bo

From the Private Secretary

SIR DEREK BAYNER

SCRUTINY OF THE DIRECTORATE OF OVERSEAS SURVEYS

The Prime Minister was grateful for your minute of 12 June.

She is content for the Minister for Overseas Development to proceed with consultations on whether to locate the DOS in the Ministry of Defence or to integrate it with the Ordnance Survey at Southampton. She is also content that the Minister should then announce his decision and prepare plans for its implementation.

The Prime Minister would also like to take this opportunity to record her thanks for the DOS's past service, and for its achievement in mapping so large an area to such a high standard.

I am copying this minute to Miss Unsworth (Overseas Development Administration) and Mr. Humfrey (Foreign and Commonwealth Office).

W. F. S. RICKETT

15 June 1981

MANAGEMENT - IN CONFIDENCE

Prime Minister

PRIME MINISTER

✓ a) You will wish to note Sir Derek's remarks in para 17;

✓ b) Content for ministers to proceed as suggested in para 18?

✓ c) Would you like me to pass on a testimonial to DOS's past service as suggested in para 19?

SCRUTINY OF THE DIRECTORATE OF OVERSEAS SURVEYS

1. The Minister for Overseas Development included the Directorate of Overseas Surveys (DOS) in last year's scrutiny programme at your request. WFB 12/6

2. This minute reports that the Minister has accepted the recommendations of his examining officer and that, subject to any points you may wish to make now, he will go on to implement them.

EXAMINING OFFICER AND REPORT

3. The scrutiny was conducted by Mr G A Armstrong, an Economic Adviser in the ODA. He was assisted by Brigadier G A Hardy, a retired senior official of the Ordnance Survey, acting as technical assessor.

4. The Minister, his Permanent Secretary and I regard the resulting report, produced at the modest cost of £20,000, as excellent. I am very impressed by the quality and quantity of the work done by Mr Armstrong in the time available to him.

FUNCTION AND CHARACTER OF DOS

5. DOS springs from a decision in 1943 to establish a central organisation which after the war would co-ordinate and execute the geodetic and topographical surveys required by the colonies for their development. It was set up in 1946. As Mr Armstrong says in his report, DOS staff have "made strenuous efforts to provide surveying and mapping services to the Third World" for thirty-five years, often in very difficult conditions.

6. DOS is now one of ODA's Special Units. Located on a Crown site at Tolworth, it employs some 300 staff, many of whom are skilled professionals and technicians, at a cost of

£5.4m in 1980-81. It does all the work which goes into producing maps, except air photography (private contract) and final map printing (Ordnance Survey). It also has some ancillary functions, including information, advisory and training services together accounting for only 6% of costs.

7. There is much to be proud of in DOS's record. Mr Armstrong refers for example to the quality of the technical training given; the wide acceptance of DOS in the English-speaking world as a centre of excellence; professional pride in project design; and high quality plotting.

DECISIONS

8. How much need there is for DOS in future and its competitiveness with the private sector are questions which have been at issue for years. There have been several earlier reviews. Mr Armstrong's analysis has now provided a good basis for choice.

9. The Minister has decided that DOS should cease to be an independent unit and that its 300 staff should be reduced to 130. This cadre could either be located with the Ministry of Defence Military Charting Establishment at Feltham or, as the report recommends, be integrated with the Ordnance Survey at Southampton, as its "Overseas Division". The Minister is consulting the Secretary of State for the Environment about the latter course, but is having some thought given to the former, which MOD support in principle.

10. An "Overseas Division" of the Ordnance Survey, which is the probable outcome, would provide ODA with advice; oversee contracts with the private sector (see below); itself carry out surveys and mapping in less straightforward cases; do some training; and provide both the private sector and overseas governments with information.

11. The reasons for this decision are, first, uncertainty about the future level of DOS's workload against the background of reduced aid programmes; and secondly, the ability of the private sector to produce maps as least 25% more cheaply than DOS and do straightforward surveys overseas as cheaply as DOS.

PRIVATISATION AND A REDUCED CADRE

12. As far as I can see as a layman, Mr Armstrong and Brigadier Hardy made a thorough and objective assessment of the competitiveness of the private sector. They concluded that standard photogrammetric and cartographic work (£2.3m, 40% of workload) was 50% more expensive in DOS than in the private sector and that overseas field survey work (£2.1m, 37% of workload) was 33% more expensive. DOS management challenged this assessment.

13. On further enquiry, the Minister is advised that the map production cost difference is "probably nearer 25% higher" as against Mr Armstrong's 50% and that overseas survey work is no cheaper in the private sector. This revised difference is still far from marginal of course and in my view well justifies the Minister's decision.

14. The report elsewhere makes it clear that DOS is not an inefficient organisation. Its low competitiveness has therefore to be attributed to high unit costs of manpower and high overheads, which are to some extent attributable to civil service terms and conditions. As it is hard to vary such factors, giving more work to the private sector must be right if the work that has to be done in support of policy can be done to an acceptable standard as well as at an acceptable price.

15. I wholly agree with the Minister however that it would be neither desirable nor possible to pass all DOS activities to the private sector. The Government does need a small, well

balanced unit to do certain jobs and in particular to place and monitor private sector contracts on a large scale. Such a unit will also enable the Government to maintain an aid operation of significant value, preserve the interests of the Secretary of State for Defence and help with the 55% run-down of the DOS by making it somewhat less severe.

SAVINGS AND COSTS

16. Estimates are still approximate. Mr Armstrong's assessment was a total annual saving of £2.3m at 1980 prices (40%) involving nearly 200 posts, at a cost of up to £1.2m. Lower estimates of the value of privatisation and higher estimates of the once-for-all cost of redundancy payments etc (£1m - £2m) somewhat affect the cost-benefit ratio but still provide substantial recurrent savings.

17. Costs and savings are not simply financial. The decision will no doubt be attacked not just by the staff, some of whom will very naturally resent and oppose it, but by others including local interests and MPs. I myself would guess that there may well be orchestrated opposition. If I may say so, therefore, the Minister is right to envisage that the new arrangements should be planned with care for and sensitivity to the staff interest.

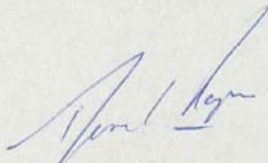
ADVICE

18. Painful as it is, I am sure that the Minister's decision is correct. It will bring to an end a long, indecisive period of review and surveys, including the "on and off" dispersal of DOS to Scotland. It will make for a good balance of effort between the Government and private contractors. Integration with the Ordnance Survey, were that course chosen, should in due time strengthen the career prospects of the staff as well as making sense in professional terms. I hope therefore that the Minister can proceed to the further consultation necessary (para. 9 above); thence to an announcement of his decision; and to preparation of plans for its implementation.

Note
There is no
commitment
to disperse DOS
jobs to Scotland.
LM
12/6

19. May I also say that, slight palliative as it might be, it would be fitting to recall the record of DOS's service and its achievement which I understand amounts to the mapping of some 2.5 million square miles, largely in the old Empire.

20. I am copying this to the Minister for Overseas Development and to Mr Douglas Hurd, Minister of State for Foreign and Commonwealth Affairs.


Derek Rayner
12 June 1981

CONFIDENTIAL



Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

12 June 1981

William Rickett Esq
Private Secretary
Prime Minister's Office
No.10 Downing Street
LONDON SW1

Dear William,

CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

The Chancellor was grateful for the Prime Minister's agreement, conveyed in your letter of 21st May, to the circulation to the Cabinet of the paper on departmental responsibilities in regard to the control of expenditure. As you will no doubt have seen from the version circulated last week, he and the Lord President amended paragraphs 10, 11 and 20 of the earlier draft to take account of the Prime Minister's concern that the memorandum might give unnecessary hostages to fortune.

The Chancellor strongly agrees with the Prime Minister that the definition of the responsibilities of the Centre makes it all the more necessary to ensure that the relevant parts of the Treasury and the CSD are sufficiently well equipped to make their role both credible and effective. The reorientation of some of the activities of the two central departments which is envisaged in the memorandum has clear implications for the qualities, experience and training of staff in those departments.

Initially, and perhaps for some little time, the scarcity of resources will impose some limits on the extension of the prescriptive role of the central departments. It will take time for staff to gain experience and training in the relevant skills. And it will hardly be possible to contemplate recruiting additional staff on any scale when the two central departments, like others, are having to cut down their numbers to make their contribution to the meeting of the Civil Service manpower target for April 1984. Nevertheless, the fact that it will take time to develop the expertise of the centre makes it all the more necessary to press ahead with the job of preparing the central departments for the role now to be allotted to them.

/That said, the Chancellor



That said, the Chancellor would not like the Prime Minister to suppose that the central departments do not already have a quite significant capability to guide and direct departments in the field of financial management. The transfer to the Treasury of the Accountancy Finance and Audit Division of the CSD brings under one roof the responsibility for prescribing and disseminating best standards of financial control. The combined AFA Division and the Treasury AP Group will have a useful nucleus of professionally qualified staff who should be able to contribute significantly to the strengthening of financial management throughout Whitehall. The Treasury is intending to develop the professional side of the Group still further and recruitment is in hand. Moreover the aim will be to promote an interchange of staff between the AFA Division and the rest of the Treasury, to the benefit of each side.

More generally, the Treasury are mounting a review of what now needs to be done by way of instruction, training and changes of organisation so as better to equip Treasury staff for their role in promoting efficiency in Departments. The review is being conducted on the lines of a "Rayner scrutiny", in consultation with Sir Derek Rayner.

The Prime Minister is, I think, aware of the work recently embarked upon by the Financial Management Co-ordination Group under Treasury Chairmanship. This too is considering important changes in the Government's accounting framework with a view to promoting improvements in financial management. Another development which may well point the way to a more positive role on the part of the Treasury is the pilot study on systems of financial control in the MAFF which has just been agreed and which is to be accompanied by one on the Department of Industry. These studies were the result of a Treasury initiative and, although the Treasury is not directly involved, we are closely associated with the terms of reference, the choice of consultants and we shall be involved in the follow-up action.

The Chancellor does not rule out the possibility that, even with the developments described in this letter, the Treasury will find it necessary to develop its skills more quickly and acquire a wider means of experience than they presently foresee. Training of our own staff will of course make a big contribution to the making good of any deficiencies that emerge, but it may also be necessary to seek help from external sources, eg management consultants, accountants etc. The Treasury has for some time had a programme of secondments from leading firms of accountants and this has proved invaluable in strengthening our financial expertise.

/This letter is primarily

CONFIDENTIAL



This letter is primarily about the Treasury. The Lord President may wish separately to describe to the Prime Minister the steps the Civil Service Department have taken and will be taking to strengthen their capacity to provide assistance to Departments in management matters.

I am sending a copy of this letter to Jim Buckley, David Wright and Clive Priestley.

Yours sincerely

John Wiggins

A J WIGGINS
Principal Private Secretary

June

Sent to
Secretary
Prog

BF: 17.6.81

MR. PRIESTLEY
CABINET OFFICE

You will remember the saga of the Balham Job Centre. The Chief Secretary commented that this case illustrated the need to re-consider the rule whereby PSA customers pay for all unforeseen costs, even where these were caused by mistakes by PSA. The Prime Minister supported the Chief Secretary's view that officials should look into this rule.

In his minute attached, Mr. Heseltine questions whether things are quite as simple as the Chief Secretary made out. Do you agree with Mr. Heseltine's conclusions in his second and third paragraphs?

W. F. S. RICKETT

10 June 1981

R



Secretary of State for Industry

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB
TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

9 June 1981

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London SW1P 3HE

John Gifford,

CONTROL OF EXPENDITURE

I read the Memorandum attached to C(81)26 with interest and I am generally content to endorse it without a discussion - that is of course assuming our colleagues agree.

However, I have some reservations about the rather abrupt way in which the rights of the central departments are stated. With all its difficulties we must try to make the control of public expenditure a joint enterprise. I realise that this is implied in paragraph 7 of your covering note and I hope that the Memorandum will not mark a departure from this important aim.

I am copying this letter to the Prime Minister, Christopher Soames and other Cabinet colleagues.

Yours,

Kevin

Mr. Bignold
Mr. Walker



BF 17/6

WR
10/6

From the Secretary of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
London, SW1P 3AG

9. June 1981

Dear Geoffrey,

CONTROL OF EXPENDITURE

In C(81)26 you invite colleagues to endorse the Memorandum on control of expenditure and Departmental responsibilities. I note what you say in paragraph 6 about much of it being a re-statement of existing responsibilities and practice and I am glad that you do not intend to undermine or detract from the responsibilities of spending Departments. Nevertheless there are parts of the Memorandum, eg paragraphs 9-11, which are perhaps a little too prescriptive in tone. These might be improved by referring to the right of spending Departments to be consulted for example about the essential elements of monitoring and control. After all this is, I understand, how it works in practice at least in my own Department's relations with the centre.

Unless other colleagues feel strongly I would not press for a discussion but I should like it to be recorded that my endorsement is subject to these reservations.

I am copying this letter to the Lord President and Cabinet colleagues.

John Biffen

JOHN BIFFEN



PRIME MINISTER

COST OF BALHAM JOB CENTRE

I have seen your Private Secretary's minute of 20 May about this case, following Jim Prior's minute to you of 8 May and Leon Brittan's of 18 May.

Under present repayment arrangements, PSA must recover the full costs of the service: it has no funds of its own to spend on repayment services. But it does offer an arrangement under which a client like MSC can pay an insurance premium in return for which PSA accepts liability for extra costs established to be its responsibility (MSC had the opportunity to enter this arrangement, but did not pursue it). We can certainly consider with the Treasury ways of extending these arrangements.

The new "PRS" repayment system is quite different. Essentially, with a few exceptions, it levies on Departments an inclusive accommodation charge designed to reflect their space requirement and its location; the charge derives from unit rates, and does not log up against Departments individual items of expenditure made on their behalf. Major new works and acquisitions are still carried by PSA itself. I certainly accept that in the context of PRS we need to find ways of improving cost awareness in both PSA and client Departments, whose delays and changes of mind can equally impose extra costs. But the system itself cannot allocate those costs directly.



As regards the Balham case, PSA's original advice to MSC was against taking the property. On being pressed by MSC to reconsider its suitability, in view of the urgent need and the lack of any alternative, PSA arranged for a further survey of the property to be carried out, using consultants for the structural survey. The consultants failed to discover the basement and their report raised no serious doubts about the structure. As the building was suitable in other respects, it was concluded that it could be accepted. In the event this proved to be a mistake because it had not been possible to carry out a sufficiently detailed examination of the structure and it was subsequently found to be in worse condition than appeared in the survey. The survey was not as complete as it should have been because the firm then in occupation of the premises refused to allow a thorough examination. In those circumstances MSC should have been warned of the limitations of the survey - and, indeed, PSA would not normally take a building if proper access for survey was refused. But it was thought that the degree of risk was acceptable and that proved to be wrong. PSA have since issued instructions to avoid any such risk in future.

As Sir Richard O'Brien recognised in his letter of 7 January, this case has to be seen in the context of the whole job centre programme, where PSA has provided and equipped some 680 Job Centres - some involving very difficult negotiations in securing the kind of premises and locations that MSC wanted. This does not excuse the mistake made at Balham but it sets it in perspective.

I am sending copies of this minute to Jim Prior and Leon Brittan.

W. S. H.



2 MARSHAM STREET
LONDON SW1P 3EB

Wm
w/b

My ref:

Your ref:

8 June 1981

Dear Willie

I am replying to your letter of 1 June about the proposals for putting PSA's services to the civil estate onto a repayment basis.

The Secretary of State confirms that the purpose of the trial run is to complete arrangements for incorporation of the accommodation charge in Votes in 1983/84. It is not necessary for this purpose to adhere strictly to the 1982/83 Estimates timetable. The aim will be to consult Departments on the mechanics of the proposed arrangements and then to establish with each Department the basis on which their accommodation charge would be assessed. This should allow sufficient time for any detailed problems to be sorted out in good time for the 1983/84 Estimates round in the autumn of next year. These consultations can proceed in parallel with the work on computer programming etc which PSA has in hand.

On the question of "untying", the Secretary of State agrees that the aspects that need to be examined are local services where PSA may not be the cheapest source. In view of its large manpower reductions (some 4,500 to date and a further 5,500 by 1984) PSA is anxious to reduce its commitment to these labour-intensive tasks. In considering the scope for this it is also necessary to assess the possible effect on the cost of its other services in support of the Armed Forces and the operations of Government, for which the Agency's territorial organisation is responsible. The aim will be to reduce commitments in a way that economises on costs.

I am copying this to the Private Secretaries of Ministers in charge of Departments, and to the offices of Sir Robert Armstrong and Sir Derek Rayner.

Yours ever

Jeff Channing

J P CHANNING
Private Secretary

William Rickett Esq

Y GWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)



WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon Nicholas Edwards MP

From The Secretary of State for Wales

RESTRICTED

NCPH.
/ R 5 June 1981
/ Jh.

De Gethy.

C(81)26: CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

Although your covering note does not say so, I understand that the intention is that this paper should not be discussed in Cabinet but that colleagues with comments should put them in writing.

I am content to endorse the memorandum, and your proposals for the release of it and companion notes on the respective roles of the Principal Finance Officer and the Principal Establishment Officer. The latter two notes will be particularly useful public reference documents.

There is one rather important point I want to make in relation to the main memorandum, however. Your covering note makes no mention of staffing implications. My impression is that your people are fairly fully occupied, and I can assure you that my Finance staff are certainly so. With the current manpower constraints I cannot envisage switching people to augment the Finance Group. I make these observations in case there is any temptation to interpret the memorandum as heralding an era of increased Treasury involvement in the work of spending Departments. In my view that is just not practicable, apart from being a complete reversal of the trend in my own case since we came to power. By all means let the Treasury take an interest in systems, as proposed in paragraph 11 of the memorandum, but not increase its involvement in day-to-day work. That could only lead back to the traditional, discredited nit-picking which ties up staff unproductively and causes frustration all round.

/ I am copying this letter to the Prime Minister, the Lord President, all other members of the Cabinet, and to Sir Robert Armstrong.

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON

Howe
Now

134 Sheen Court
Upper Richmond Road West
Richmond-upon-Thames
Surrey

COPY TO: The Hon Michael Alexander MP

PRIME MINISTER'S OFFICE

Tel. 01-878-3821

Govt
Mach
3 June 1981

PRIVATE

Sir Derek Rayner
Michael House
Baker Street
London W1

Sir, Re: Central Office of Industrial Tribunals

In continuance of my efforts to eliminate waste and expose mal-administration in C.O.I.T., I wish to acquaint you with the following:-

- (a) Before I arrived in COIT in May 1977 it had been decided to open a new Regional Office at Stoke, and to this end a complete Law Library had been ordered (please see P.9 of my report for ridiculous contents of Law Libraries).

In due course the project to open a ROIT at Stoke was abandoned; yet it was not until two years later that orders for annual publications for the Library were cancelled. The reason for this was simply that the COIT HEQ forgot to pass it on! This was typical of the shockingly sloppy administration, induced by the knowledge that nobody can ever get sacked, and that nobody will be made to account for financial wastage.

The Law Library publications for Stoke were given to an HEQ of one of the London ROITs to look after until the ROIT came into being. When it was abandoned it became useless as there were already two complete Libraries in the London HQ (the President's and a Main Library available for use by the three London ROITs) and every ROIT and OIT had a complete Library.

However, by a stroke of luck the London (North) ROIT was moved from 93 Ebury Bridge Road to Woburn Place, London WC 1, so they could make use of the Library there. They took what they wanted, leaving a very considerable pile behind: not wanted (Halsbury Laws and suchlike). Since then all these volumes have languished^x in Room 8 on the 3rd floor of COIT HQ. An utter waste of money. Mr. Laughton, the COIT HEQ, is nominally in charge of these, yet does nothing. Predecessors also did nothing. Of course, Mr. Burns, the SEO knows all about this. ... 2

x for years

(b) In COIT HQ is another law library distinct from the others to which I have referred. This consists of Law Reports (bound) relating to the Families Division, Chancery and Queen's Bench Division of the High Court.

They fill bookshelves completely along one wall and part of another wall.

They are never referred to; yet new volumes arrive and are added as they are published.

The COIT HEO (Mr. Laughton) is in charge of this unwanted library. He does nothing about it. Two weeks ago he told me that he is going to have the books moved to Room B on the 3rd floor, as the room in which they are currently located (which is empty) is required for use as an office.

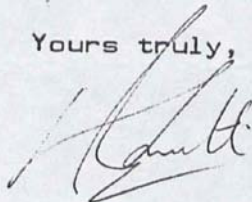
So these wasted books will simply be removed to a storeroom.

In my view these matters are a scandal and an abuse of the taxpayer.

The terrible thing, I found, is that nobody cares. And anyone - like myself - who raises such issues, is considered irksome: he is disturbing the peace.

Thus, with another two years of useful work possible from me, I have been obliged to leave because conditions were simply too stupid and intolerable.

Yours truly,



Louis Smith

N.B. The essence of Unfair Dismissal is whether it was reasonable or unreasonable. Yet COIT has 25 massive Law Libraries plus the Law Reports mentioned herein, plus the "spare" volumes.

134 Sheen Court
Upper Richmond Road West *COPY TO: The Hon Michael Alexander MP*
Richmond-upon-Thames
Surrey

PRIME MINISTER'S OFFICE

2 June 1981

PRIVATE

Tel. 01-878-3821

Sir Derek Rayner
Michael House
Baker Street
London W.1

*CM
8/6*

Sir,

Re: Central Office of Industrial Tribunals

Presumably by now you will have received my report on the above, written when I was with COIT, and forwarded through the intermediary of my M.P. - Sir Anthony Royle.

I have now left that body (see attached letter from me to Mrs. Craske, the Secretary and Senior Principal).

I now wish to acquaint you with certain data which I feel is in the ultimate interest of COIT:-

- (a) There are 58 tribunals operating daily, on average. There are 68 Permanent Chairmen and 111 Part-time Chairmen: total 179.

Two years ago the total was 202, and the reduction was due to demands for cuts in the Civil Service. There has in fact been a slight increase in work (registered applications) in the last two years, and the fact that they are now managing on 179 shows that they were at least 20 overstaffed in the past.

This is consistent with the appalling over-staffing which existed and which is covered in my report.

One might ask why all those Chairmen are required for 58 daily tribunals. Each part-time Chairman is sent a large and expensive consignment of legal publications (requiring two boxes for despatch).

- (b) There are about 218 working days in a year after deduction of six weeks annual leave and public holidays; yet Permanent Chairman are only required to work "at least" 130 sittings (and in fact at most Regional Offices this is not achieved).
- (c) About half the sittings take only a morning.
- (d) When I joined COIT in May 1977 within a week I was astounded at the administration. For instance, I could not see the slightest sense in holding sittings to hear cases where it was apparent from the applications that they were fit only for the waste-bin. For instance, in a case where a man

... over

has been convicted of theft and handling stolen goods, and complains that he has been dismissed! There are many complaints which are patently abusive simply on the signed data provided by the applicant himself.

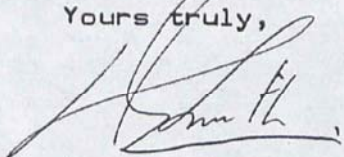
In October 1980 an S.I. was promulgated which permits Pre-Hearing Assessments in cases which are considered to be unreasonable, frivolous or vexatious. When it was obvious to me that employers needed protection - within a week of my arrival at COIT - why was it not until 1980 (fifteen years after the start of the Tribunals) that an effort was made to ease the situation? Even now, PHAs are costly, as a Chairman and two Members have to sit.

- (e) There are over 2,000 Members. Each one receives a box of publications. Some Members never sit; others sit rarely. In principle they should return their publications in due course, but in practice they do not do so, or they are unusable (dog-eared, etc). One box was mildewed and smelly and had to be thrown away: obviously it had been kept in an outhouse: it had not been opened in three years.
- (f) Only about one-third of cases come to a hearing; others are withdrawn or settled by ACAS. Only 27.2% of cases which reach a hearing are successful. Awards are small: only 20% of cases receive more than £1,500. About half the awards are less than £400; almost three-quarters are less than £750.
- (f) The total cost of the Tribunals (excluding the Employment Appeal Tribunals) is about £11,000,000 p.a. Awards total about £2,000,000 (with reserve).

I hope you find this data of interest.

With respect, I remain

Yours truly,



Louis Smith

P.S. In my emphatic opinion the head of COIT's administration should be no higher than Senior Executive Officer grade, not Senior Principal. Mr. Laughton, the COIT HEO, told me that the grade should be no higher than Principal, in his view.

134 Sheen Court
Upper Richmond Road West
Richmond-upon-Thames
Surrey

Tel. 01-878-3821

29 May 1981

Mrs E.E.Craske
; Secretary
Central Office of Industrial Tribunals
93 Ebury Bridge Road
London S.W.1

Dear Mrs. Craske,

I shall not be returning to COIT. I have written to Mr. Laughton enclosing a medical certificate valid from 28 May to 10 June. The fact that during my four years with COIT I have been off sick for only 3 days (notwithstanding that I am 62 years of age), and now have a medical certificate for two weeks, indicates the potentially deleterious effect, health-wise, which can arise from circumstances arising from the necessity (in the basic interests of the Service, and indeed ultimately of COIT) to write my report to Sir Derek Rayner, and the additional circumstances induced by the session of about one and-a-half hours which I had with you at your command on the late afternoon of 27 May.

You were very hostile during the first half of that long session (becoming more moderate later), conducting it in the manner of an interrogatory and using courtroom cross-examination technique. You took full advantage of the disparity between the grades of Senior Principal and Executive Officer, in which I was obliged to remain polite and restrained while you could say what you wish^{ed} and not attempt to disguise your anger.

I consider that such treatment, from you to a person of my age was unwarranted, particularly as it was due to the fact that I have had the moral courage to write a report beneficial to the Service (while other officers simply bitterly complain among themselves but put nothing in writing).

As it is patently impossible for me to remain in COIT after you had made your attitude towards me so clear - and it would be detrimental health-wise to try and stay on in such conditions - I wish to take early retirement. I had not intended retiring so early, feeling that I could be of use to the Service, and consequently I accept no responsibility whatsoever for my leaving in these abrupt conditions.

I am sending copies of this letter to Sir Derek Rayner and the Director of Establishments, Department of Employment.

Yours sincerely,


L. Smith

file BK

Gov
Kead

2 June 1981

I am writing on behalf of Mr. Alexander to thank you for your letter of 22 May.

This matter is being looked into but you will of course appreciate it may take some time. A reply will be sent to you as soon as possible.

W F S RICKETT

Louis Smith, Esq.

Cabinet / Cabinet Committee Document

The following document, which was enclosed on this file, has been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES.

Reference:

C(81)26

Date:

2 June 1981

Signed

Q Wayland

Date

19 April 2011

PREM Records Team



JH

cc: All Cabinet Members
Chief Whip's Office
(Commons & Lords)
Lord Advocates Office
Law Officers Dept.
Cabinet Office
Sir Derek Rayner's Office

CF to Lee

10 DOWNING STREET

From the Private Secretary

1 June 1981

Dear David

The Prime Minister was grateful for Mr. Heseltine's minute of 26 May setting out proposals for putting PSA's services to the civil estate onto a repayment basis. She has also seen Sir Derek Rayner's minute of 28 May.

She is content for the PSA to be authorised to move to the trial run next year. She agrees with Sir Derek Rayner that the issues raised by Ministers need not hold up the next steps, but should be considered in tandem with the move to repayment.

She notes Mr. Heseltine's suggestion that the outcome of the trial run should be reviewed. She considers, however, that the review should concentrate on getting the mechanics of the system broadly right, and that it should not re-open questions of principle. She hopes that it will be possible to complete the review in good time so as not to delay the incorporation of the accommodation charge in Votes in 1983/84. She agrees with Sir Derek Rayner that in this context it may be necessary to accept some rough edges at first. She has noted Sir Derek Rayner's words of caution about going too far and too soon down the road of "untying". She has commented in this context that she shares the view of some Ministers that the PSA may not always be the cheapest source for some local services.

I am copying this letter to the Private Secretaries to Ministers in charge of Departments, and to the offices of Sir Robert Armstrong and Sir Derek Rayner.

*Yours
Wilkie Rickett*

D.A. Edmonds, Esq.,
Department of the Environment.

82

PRIME MINISTER

PSA Repayment

Mr. Heseltine reports that Ministers havenow accepted the principle of repayment for PSA's services. He proposes that PSA should be authorised to move to the trial run next year. Sir Derek Rayner agrees: his comments are at A.

Agree

- (a) that PSA should move to the trial run? *Yes*
- (b) that the issues raised by Ministers should not hold up the next steps, but should be considered in tandem with the move to the trial run? *Yes*
- (c) with Sir D. Rayner's caution about going too far down the road towards "untying" (see para 4 of his comments)?
- (d) that when the outcome of the trial run is reviewed, the review should concentrate on getting the mechanics of the system right, and should not reopen the question of principle? *Yes*

I agree with this - but we can often be done more cheaply without PSA

WFSN

29 May 1981



CF

10 DOWNING STREET

From the Private Secretary

29 May 1981

WHITE PAPER ON EFFICIENCY

You told me yesterday that the Lord President had reconsidered his decision to postpone publication of this White Paper. You said that he felt that it would be best to press ahead quickly with the White Paper, and seek to persuade the Treasury and Civil Service Select Committee to defer their forthcoming enquiry into Government efficiency until the White Paper had been published.


The Prime Minister is content for the Lord President to circulate a full draft of the White Paper to Ministers and to Sir Derek Rayner next week, with a view to publication by the end of June. She has, however, asked me to say that she would like the detailed figures on Departmental running costs produced by the 1980 scrutiny of running costs to be published in this White Paper.

W. F. S. RICKETT

E. G. M. Chaplin, Esq.,
Lord President's Office.

VUB

A



PRIME MINISTER

PSA REPAYMENT

1. I have seen the Secretary of State for the Environment's minute to you of 26 May.
2. I very much agree with him that in the light of Ministers' replies PSA should be authorised to move to the trial run next year.
3. The timetable for implementation (trial run 1982/83, fully live 1983/84) allows ample opportunity for discussion to get the mechanics of the system broadly right. The issues raised by Ministers need not hold up the next steps. They can be considered in tandem with the move to repayment. This is happening already, for example, in respect of proposals to put capital new works expenditure on an "own PES" basis, which might be implemented in advance of repayment. The detail of the PES implications of repayment (eg sharing out the cake, freedom to make trade-offs against other expenditure) will in any case have to be got broadly right before the system goes fully live. And some of the other very fair worries voiced (eg the broad brush nature of the accommodation charge) can be picked up in the Development Group and in the light of experience. I would hope however that Ministers will recognise the enormity of the change and be prepared to accept some rough edges at first.
4. In carrying forward these proposals, I would caution against trying to go too far down the road of "untying" as some Ministers would want. There might well be scope for some untying of particular PSA services (as is already recommended in the case of minor maintenance), but I believe that Ministers as a whole need effective management of the



total estate by a central agency to ensure that the sum of the individual decisions makes for an acceptable whole.

5. If you agree that these proposals should now be taken forward, I hope that the Secretary of State will also now be able to write to the Secretaries of State for Defence and Foreign and Commonwealth Affairs to progress the PRS report's recommendations in respect of the management of their respective Estates and that the proposed studies can be mounted soon.

6. I am copying this to Ministers in charge of departments and to Sir Robert Armstrong.


DEREK RAYNER
28 May 1981

PRIME MINISTER

In November last year you told the Lord President that you would like to report to Parliament about what had been achieved and what was in hand on efficiency in central government. On 17 March, the Lord President's Office circulated an outline White Paper on efficiency, with which you were broadly content (attached A).

The Lord President subsequently decided to postpone publication of this White Paper until after the settlement of the Civil Service pay dispute. He felt it would be unwise to publish a paper on efficiency when the Civil Service was taking industrial action, and he felt that the White Paper's comments on staff reductions might make negotiations with the unions more difficult.

However, the Treasury and Civil Service Select Committee have now set up a Sub-Committee to enquire into the efficiency of Government. The Sub-Committee is meeting next Monday afternoon to decide on its work programme, the witnesses it will call, etc. In the light of this, the Lord President has reconsidered his decision to postpone publication of the White Paper. He now feels it would be best to press ahead quickly with the White Paper, and seek to persuade the Select Committee to defer their enquiry until the White Paper has been published. He considers that this will help ensure that the Select Committee's enquiry gets off to a good start.

Subject to your agreement, the Lord President therefore proposes to circulate a full draft of the White Paper to Ministers and to Sir Derek Rayner next week, with a view to publication by the end of June. Content that he should do so?

There is one question you will wish to consider. You commented on the Lord President's recent report on the 1980 scrutiny of Departmental running costs that you wished to see maximum publicity given to the costs of running Departments. Sir Derek Rayner had suggested that the White Paper on efficiency would be a useful vehicle for publishing these figures. The only argument against using the White Paper is that we presumably want it to be positive about the work being done to improve efficiency, whereas your concern to publicise Departmental running costs is to

some extent to expose Departments to criticism. The aim would be for this criticism to urge Departments to greater efforts on efficiency. The White Paper would be the natural vehicle for publishing Departmental running costs, and you may feel the conflict of interest I have described is not an argument for publishing the figures separately. Content for me to ensure that the Lord President includes the figures on running costs in the White Paper?

Yes
not

WR

W. Rickett

28 May 1981



WV
1/6

Prime Minister
for information.

2

WV
21/5

PRIME MINISTER

SCRUTINY PROGRAMME 1980: WORK OF B4 DIVISION, HOME OFFICE

1. This scrutiny was conducted under the supervision of Mr Timothy Raison MP by Mr T G Weiler, a recently retired Under Secretary. You asked me to take a particular interest in it on your behalf.

2. B4 is a Division of the Immigration and Nationality Department. It processes applications for naturalisation or registration as a citizen of the United Kingdom and Colonies. More details and the outcome of the scrutiny are given in the Annex.

3. This minute invites you to take note of the scrutiny and comments on one particular aspect of it, namely delay in processing applications.

The scrutiny

4. The staff of B4 work under great pressure. I was therefore pleased to see several references in the report creditable to them, eg the competence and courtesy of the personal enquiries team, the staff's concern for thoroughness and efficiency and the competence of the Certificates and Oaths Section.

5. The scrutiny was undertaken because of the time it takes to process an application (up to 26 months in some cases). It was profoundly affected by two things I did not know of before it began. A reorganisation of case work already planned took effect on the day it started, while the White Paper on Nationality Law published last July disposed of options which might otherwise have been available.

6. Mr Weiler's report therefore amounted, in his own words, to "an extensive spring cleaning" rather than radical changes. Substantial savings are accordingly not in prospect. Nonetheless, the report suggested more effective procedures. It should contribute to better staff morale. The scrutiny also had a catalytic value: certain changes recommended by the examining officer were made while he was still at work.


Delay in processing applications

7. Other changes have been considered since the report was submitted.

8. After the completion of enquiries into those applications where the decision rests on the personal suitability of the applicant, both London and provincial applications will now be placed in a single queue for final processing. This will cut down on one of the two main causes of delay, namely the operation of a "first come, first served" principle. Although introduced for fairness's sake, that principle has since become unreasonable owing to delays in assessing the suitability of London-based applicants.

9. The second cause of delay is that it takes the Metropolitan Police Force, which deals with one-third of all naturalisation cases, on average ten months to make its enquiries. Provincial forces take four months. The Force has been falling behind at the rate of about 100 applications a month, but hopes that a recently introduced experiment, in which certain cases are chosen for a modified enquiry procedure, will show considerable savings in time and cost. I understand that first results are very encouraging.

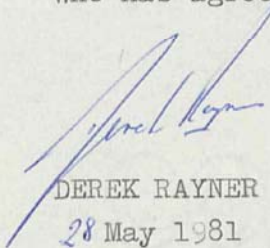
10. Another option which is being pursued is the employment of retired Police Officers as investigators. (Last year's scrutiny of Vehicle Excise Duty Enforcement showed that some 70 such people were then employed by the Department of Transport as Inquiry Officers in the London area in substitution for the Metropolitan Police. That scrutiny, which I hope will be the



subject of a separate submission presently, recommended, however, that the complement of Inquiry Officers should be reduced by 30 or so because they generated more work than the London Enforcement Office as a whole could cope with).


11. The Home Office is following up this proposal with the Civil Service Department. While the burden on the Metropolitan Police Force is welcome to a degree - because some enquiries have a significant bearing on security or crime prevention - it seems wrong to accept so long a delay as ten months when applicants are contributing to the cost of the Home Office's services.

12. I am copying this minute and its annex to Mr Raison, who has agreed the terms in which they are expressed.


DEREK RAYNER

28 May 1981

Annex: Delays in the Handling of Applications for Naturalisation and for Registration as a Citizen of the UK and Colonies



ANNEX

DELAYS IN THE HANDLING OF APPLICATIONS FOR NATURALISATION AND FOR REGISTRATION AS A CITIZEN OF THE UNITED KINGDOM AND COLONIES

1. The scrutiny reviewed the functions performed by B4 Division in the Immigration and Nationality Department of the Home Office at Croydon to see what scope there might be for streamlining the processes involved and making changes to provide a more efficient and economical service.

Background

2. The Division deals with individual applications for naturalisation or registration as a citizen of the UK and Colonies. At the start of the scrutiny the staff complement was 217, but by its close it had been reduced to 212 as a contribution to manpower savings. Although the complement has since been increased again to 222, partly to cover extra work connected with the British Nationality Bill, there are only 213 now in post owing to resource constraints. There were 48,600 new applications in 1979 (50,500 in 1980) and 53,350 enquiries in 1979 (62,450 in 1980). Fees are charged to cover administrative costs.

3. The work of B4 is demand-led and constrained by factors beyond its control, notably that the flow of applications cannot be stemmed by a moratorium, quota or ranking because that would be politically impracticable.

4. Until 1973 applications were mainly of two sorts. Decisions on naturalisation applications were (and continue to be) discretionary, based on suitability, and registration used to follow as an entitlement once eligibility had been established from the application. Since 1973, however, suitability has also become a requirement for certain categories of registration, and the time to process applications has lengthened accordingly.

5. In 1979 arrears of work began to accumulate drastically and various measures were taken to correct this. They increased output significantly in certain areas of work but could not match the increase in registration applications and still left considerable arrears. Naturalisation and discretionary registrations were taking 2 years 2 months and other registrations between 4 - 12 months at the time of the scrutiny and the Parliamentary Commissioner for Administration drew attention to delays in one of his reports last year.

6. Last year's White Paper on Nationality Law indicated that the balance will shift even further from entitlement to discretion related to suitability. There is no firm basis on which to predict further levels of applications but a high level must be expected up to the operative date of new legislation and under its transitional provisions. Moreover this is likely to persist as long as there is political uncertainty elsewhere in the world making the possession of a UK passport attractive.

7. Where the test is suitability the several stages through which an applicant must go consist chiefly of completing a detailed application form, then enquiries mainly by the police. Only at the last, when naturalisation or registration are granted, does the applicant pay the appropriate fee. The time scale is variable depending some times on the applicant replying to requests for further information, but mainly on the length of time taken by the Metropolitan Police Force and the operation of a "first come, first served" principle at the stage of "final consideration" following the enquiries.

The problems

8. The problems identified relate to:
- a. Making the best of the staff who can be recruited in Croydon, where there was a high turnover at the time of the scrutiny.
 - b. Further streamlining procedures within the Division.

- c. The management of casework.
 - d. The level and collection of fees.
 - e. The causes of major delays.
9. The results of the review of the problems covered by a - d above were aptly described by the examining officer as being "the equivalent of an extensive spring-cleaning, rather than the identification of changes which would produce a radical reduction in staff resources".
10. There would have been scope for substantial savings if the criteria for citizenship had been changed in ways other than those announced in the White Paper of July 1980.
11. However, the recommendations should when implemented make better use of hard-pressed staff and speed up casework, with swifter collection of more fees. At present only 40% of the costs are being recovered.
12. With regard to delays, the report made very useful recommendations for eliminating the collection of excessive or inappropriate detail during police enquiries as to the "suitability" of applicants but left open two issues:
- a. The Metropolitan Police deal with about one-third of all the naturalisation enquiries. They take on average about 10 months, whereas provincial police forces take 4 months. This raised the question whether the use of the time of serving police officers in the Capital is justified.
 - b. Although provincial forces complete their enquiries faster than the Metropolitan, this does not secure the applicant any speedier consideration in the Division because of the operation of the "first come, first served" principle.

13. The Home Office has now disposed of the latter problem by moving to deal with applications in order of the date of police and other enquiries. This means that the position of provincial applicants in the queue will no longer be worsened by older applications from the London area taking precedence and, incidentally, that the Division will be able to deal with applications on the basis of information which is fresh and up-to-date.

14. The Home Office has also made enquiries about the employment of retired police officers to substitute for serving policemen in the Metropolitan area - where, on the current annual intake of some 3,300 London applications, the Metropolitan Police has been falling behind at the rate of some 100 applications a month.

15. The Home Office estimates that it would need 27 full-time officers to clear 3,000 applications a year; believes that they would certainly be useful; and thinks that it would be able to recruit them, assuming CSD Ministers agreed. The main difficulty is whether, given the manpower policy, it is right to seek equivalent savings elsewhere in the Home Office to make room for these officers.

16. Home Office Ministers have agreed instead to a 6-month experiment whereby selected applicants are not subject to the usual full range of enquiries and interview by the Metropolitan Police. If the experiment is successful, there is the prospect of major savings in time and cost. The Home Office view is that this is a more profitable option at present than the employment of retired police officers.

17. Even so, the numbers of applications for discretionary registration are increasing rapidly and the indications are that they will soon have overtaken naturalisations. Retired police officers could be of great value in the near future assisting the Immigration Service with the enquiries into these applications in the London area, and thus reduce the likelihood of excessive delays arising similar to those which have been encountered on naturalisation.



reference
PL
1/6

10 DOWNING STREET

BF 1-8-81,

Note Please check again with
W.R. 2 months BF without
an acknowledgement seems a
long time to me ^{1/6}
with reference to your note

on the attack papers, I telephoned
Sir Derek Rayner's office and conveyed
the message to them, asking them
to give us a written reply.
Are you content ^{with both} ~~with this~~
and for CF to hold these papers on
a long ^{of} pending a response.

Gus
29/5.



Prime Minister

I have now consulted Cabinet Colleagues on the proposals for putting PSA's services to the civil estate onto a repayment basis, as recommended by Sir Derek Rayner and agreed at your meeting on 17 March.

The majority view is that the principle of repayment is acceptable and that the method of charging proposed is also acceptable, at least as a first stage. Some Ministers would prefer not to be committed to the change until the practical mechanics have been much more fully considered. The charging system was set out in some detail in the PRS report and one of the purposes of the trial run is to provide the opportunity of explaining the system to Departments and gaining experience of its operation before becoming committed to incorporating the accommodation charge formally in Votes. It is certainly essential that the simplicity of the system should be retained and should not be lost in pursuit of greater detail. We must first see how the system works in practice before considering further refinements.

In commenting on the proposals several Ministers express concern about the implications in terms of expenditure decisions and priorities, and the respective responsibilities of PSA and



Departments for determining accommodation requirements. These issues are not dependent on the PRS system as such or on the method of charging proposed. The PRS system is simply a method of informing Departments of the costs of the accommodation services they consume (based largely on unit costs and current market rents), and provide a simple incentive to economy - as space occupied is reduced, all associated costs, (rents, rates, running costs) are reduced.

The issues that Ministers have raised, on the other hand, relate to the allocation of resources in PES and to decisions on priorities. They bear on the problems of resolving the interests of effective and economic estate management on the one hand and the operational needs of Departments on the other. These issues also arise under the Allied Service system and become more acute when resources are scarce and when expenditure is severely restricted. The introduction of repayment focuses attention on them but they are not directly related to the charging system proposed by PRS. They need to be considered in the context of the associated changes in the PES machinery and we look to the Treasury to put forward more detailed proposals for dealing with them.

As there is clearly a good deal of uncertainty about how the repayment system will work, and particularly about the PES aspects, I suggest that we carry on to the trial run and then review the outcome before becoming finally committed to incorporating the accommodation charge in Votes. If you agree I will instruct PSA to proceed to the next stage and consult Departments on the detailed arrangements for assessing and allocating the accommodation charge. It is over seven months



since the PRS report was completed and time is now getting very short to complete arrangements for the trial run in time for this year's Estimates season in the autumn. But this should still be the aim.

I am copying this to Ministers in charge of Departments and to Sir Derek Rayner and Sir Robert Armstrong.

MH

MH

26 MAY 81



CENTRAL OFFICE OF
THE INDUSTRIAL TRIBUNALS
(ENGLAND AND WALES)
93 Ebury Bridge Road, LONDON S.W.1
Telephone: 01-730 9161-7

Your reference:
Our reference:

The Hon. Michael Alexander, M.P.
Prime Minister's Office
10 Downing Street
London S.W.1.

A. Rickett
miss Thoms
How does your office intend to deal with X?
22 May 1981
WPS Rickett
ps/pm 22/5

Dear Mr. Alexander,

1. You may recall that at the time of the Blunt scandal you wrote to me expressing the Prime Minister's thanks for a memorandum I had written to her relating to the revelation by me that absolutely no security existed in N.A.T.O.'s headquarters in Brussels (see the attached clipping from the Sunday Express, inspired by me).
2. I now write to you on an entirely different theme. Enclosed is a report on certain matters concerning internal administration in the Central Office of Industrial Tribunals, compiled by me and sent to Sir Derek Rayner, with a copy to the Rt.Hon.James Prior, through the intermediary of my Member of Parliament, Sir Anthony Royle.

Of course, I appreciate that a report of this nature is not a matter for the Prime Minister's attention; yet nevertheless it occurs to me that there are several items in it which may well be of interest to the Prime Minister - for reasons of which you will be aware. I am therefore submitting it in order that you may consider - entirely at your discretion - whether the Prime Minister would be interested in the following parts:-

Listed in order of importance:

Para.13 (Pages 26 - 28)

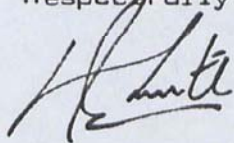
Para. 6(a) (Page 17 only)

Para. 3 (Pages 10 - 12)

The last sentence of Page 8 and the first three paras. of Page 9

The first two paras. of (c) on Page 13
The last para. of (d) on Page 14
Para.(f) on Page 15

Respectfully,



Louis Smith

- cc: 1. The Rt.Hon.James Prior, M.P.
Secretary of State for Employment
2. Sir Derek Rayner, G.B.E.
3. R.S.Allison, Esq
Director of Establishments
Department of Employment
4. Mrs E.E.Craske
Secretary
Central Office of Industrial Tribunals

26.9.76

17

'SCANDAL OF NATO'S OPEN SECRETS'

by WILLIAM MASSIE

TOP SECRET documents containing details of British and allied government decisions are at risk in Brussels, it was claimed yesterday.

A former senior Nato official said the documents, on political and defence matters, have been carried in and out of the Nato headquarters while 150 security guards stood helplessly.

The evasion of basic security measures continues today, despite a Soviet spy coup which sparked off a hurried re-evaluation of the West's strategic and tactical weapons — at huge cost to Britain and her allies.

Every grade of document — restricted, confidential, secret and cosmic top secret — remains at risk, claimed 58-year-old Mr. Lou Smith.

"It is SCANDALOUS that the security of the nation should be jeopardised in this way," he added.

Mr. Smith, who lives in Surrey, spent five years on Nato's international staff, which comes under the direct control of Secretary General Dr. Joseph Luns.

Yorkshire-born Mr. Smith now holds an official position in London, although he declined yesterday to give any details.

Harsh fact

But in a remarkable indictment of Nato's Brussels headquarters, he claimed that the grave security lapses were a direct result of attitudes adopted by both senior Service officers and ambassadors.

He said: "The harsh fact about security is that it is non-existent."

"What is the point of having 150 security guards when any of the staff can walk out of the headquarters with bulging brief-cases, and suit-cases, at weekends?"

"Documents can be, and have been, photographed and returned to their cabinets in the offices in due course."

"Nato generals, admirals and ambassadors flatly refuse to have their brief-cases checked as they leave headquarters."

"Any security man who tried to carry out a spot check would be quickly moved elsewhere."

Mr. Smith said there was nothing to stop a Nato official or officer photographing even "cosmic top secret" documents at his home for the K.G.B., Russian espionage.

A Nato spokesman in Brussels yesterday refused to comment on the organisation's security.

Q "Cosmic top secret" is Nato's highest general security classification. It precedes all vital messages transmitted to Brussels by Western governments and armed forces.

See attachment

Explanation of the Sunday Express article

The NATO Security Directorate at one time tried to inaugurate spot-checks of briefcases taken out of the Security Zone by NATO personnel.

Top-ranking persons such as Ambassadors, Generals and suchlike, ignored the requests of guards to proceed to the Guard Room for a check; and in any case guards were in the main shy of tackling high-ranking persons, so they concentrated on the small fry.

The NATO Staff Association informed the Secretary General that they would not allow any member of the staff to be spot-checked unless the rule applied to everyone, irrespective of rank.

Nothing was done: the Organization obviously prefers to subordinate vital security to convenience of rank!

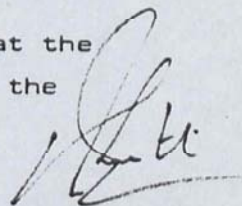
Thus, there is - unbelievable though it may seem - absolutely no security in NATO headquarters. Any member of the staff, or the Delegations, can take Cosmic Top Secret files out of headquarters, photograph them and return them.

This was in fact done for six years by Francois Roussihle, who was caught only after a defector fingered him.

M. Roussihle had held the vital post of Head of the Translation Service, and could thus select at his convenience the choicest documents (as all documents are translated into English and French).

Had a spot-check system been in operation, Roussihle would never have dared to take material out of HQ. 100,000,000 dollars were allocated to re-locate missile sites, etc., due to damage done by Roussihle.

This is what I informed the Prime Minister of at the time of the Blunt scandal, in the interests of the U.K. and N.A.T.O.





Your reference:

Our reference:

CENTRAL OFFICE OF
THE INDUSTRIAL TRIBUNALS
(ENGLAND AND WALES)
93 Ebury Bridge Road, LONDON S.W.1
Telephone: 01-730 9161-7

21st May 1981

Sir Derek Rayner, KCMG
Prime Minister's Office
10 Downing Street
London S.W.1

Sir,

I attach a report on certain matters concerning the administration of the Central Office of Industrial Tribunals, which I hope will ultimately be of benefit to C.O.I.T., the Department of Employment, and the taxpayer.

Respectfully,

Louis Smith

cc: The Rt.Hon.James Prior, MP
Secretary of State for Employment
12 St. James's Square
London W.1

CENTRAL OFFICE OF INDUSTRIAL TRIBUNALS

REPORT ON FINANCIAL WASTAGES, GROSS
OVER-STAFFING AND MAL-ORGANIZATION

by

MR L SMITH

FOREWORD:

- A: I joined the Civil Service in 1973, and was posted to CUIT from DE Division OAl (overseas Division) in May 1977. I am an Executive Officer.
- B: After due deliberation I consider that this report is necessary in the general interest of the Department of Employment and the Civil Service. I appreciate that it is unorthodox but I believe that nothing will ultimately be achieved by conventional treatment. I have already tried that, and the lack of results will be made evident in this report.
- C: The term "Management" in this Report in the main refers to management at SEO and HEO level.
- D: It goes without saying that generally speaking no reasonable individual wishes to enter into harsh criticisms of his senior officers. For one thing, the subordinate cannot possibly gain anything; and indeed stands to lose considerably in overt or covert ways, whether he is justified in his criticisms or not being immaterial. An idealistic auditor in the U.S. Department of General Services exposed gross abuses in aircraft contracts, and for his endeavours was dismissed and hounded. In NATO three auditors who strongly attacked a million dollar pay-off to an individual which in their views was utterly unjustified, were eased out of the Organization.

Perhaps the theme was most superbly expressed by the XVIIth Century writer Blaise Pascal, who wrote:

"Strange zeal, which condemns those who expose public faults and not those who commit them"

So the prudent person is aware that there cannot possibly be any gain in a report of this nature, and that he might be subjected to consequential stress and strain.

Notwithstanding that, it has to be done.

1. THE BRIGHTON FORMS FIASCO:

On 6 December 1977 I submitted a meticulously detailed memorandum to Management proposing a radical change in the distribution

of IT forms to ROITs, which at that time was done by a CO especially engaged for the job, stationed at the Brighton Office of Industrial Tribunals (OIT). About 1,300,000 such forms were distributed annually, and in addition case-file covers and IT LIs (IT Procedure pamphlets) to the tune of about 40,000 each were distributed from there to ROITs.

Attached as Appendix A is a copy of my memorandum, which was minute No.11 on the Distribution of IT Forms file. At this stage it is advisable to interrupt reading to study Appendix A, otherwise what follows will lose in significance.

*

The system of distribution at that time had been designed by Mr "Faddy" Bourke, then HEO, COIT. Prior to his introduction of the system the distribution had been done from what was then known as the Common Services Section (now the Staff & General Services Section, of which I am the supervisor), and there was only one basic reason for the switch to Brighton and the recruitment of a CA (later promoted to CO) to handle the distribution: the reason was, quite simply, to rid Mr Bourke's Common Services Section of the work and effort involved. That Section was so appallingly lacking in all control, supervision and organization that the Section could not cope with the work.

(Later in this document I shall include substantiation of the highly critical remarks made in the preceding paragraph. My intention is not to criticize casually, which would be irresponsible of me and unfair to the officers criticized, and for that reason I shall write nothing which is not scrupulously correct in grounds and substance).

The system was quite simply grotesque and shockingly wasteful. The fact that it was even permitted to be put into operation was an indictment of Management's flair for not totally exploring, assessing and analysing all factors pertaining to any particular project or problem. Had an in-depth study been made by the HEO's superior, and had the latter not allowed himself to be easily influencable by the HEO, the system would not have received approval.

- (b) On 7 December 1977 the then HEO, Mrs Brough, submitted the file to the then SEO, Mr Rosser. Mr Rosser merely said that the new system had not been running long enough to give it a fair trial. It had in fact been running for 20 months.

In brief, my proposal was completely ignored and I was compelled to carry on the grossly wasteful and absurd system.

One would have thought that in any case the proposal merited a detailed reply as to why it had been turned down, with the courtesy of a remark complimenting me for the effort and initiative I had demonstrated: but no such thing happened, which is not surprising as staff-psychology in COIT is virtually non-existent.

: (c) In late August 1979 the CO at Brighton resigned and this gave me the opportunity to re-submit my old proposal. However, no decision could be obtained from Mr Burns, the COIT SEO, who quite patently was irked by it. On one occasion he said plaintively: "What I can't understand is why this scheme wasn't adopted when it was put forward?", yet he could not be persuaded to authorize the change to the new system. In effect, he was simply shirking making a decision jettisoning a system which had been in operation for years.

To my astonishment, so determined was he not to be forced to change the system that he ordered that another CO should be engaged to replace the one who had resigned; and the Job Centre at Brighton was asked to do all possible to find a replacement.

Fortunately (for the taxpayer), no suitable candidate could be found. The absurdity of the whole matter, which I stressed to Mr Burns but which left him completely indifferent (logic and commonsense have little effect upon him), was shown by the fact that they were insisting on a candidate having O-levels normally required for a Clerical Officer position, when in fact his work would consist totally of helping to offload lorries, humping parcels from the ground floor to the basement storage rooms, putting forms, etc., on shelves, then in due course packing them and taking the parcels to the Post Office for despatch to the ROITs and OITs.

As the end of 1979 drew nigh I was placed in the invidious position of having to provide IT forms to the ROITs without any functionable scheme operating. So determined did Mr Burns appear ^{to wish} not/to be responsible for the elimination of

the forms depot at Brighton that a proposal was made which can only be termed "insane". The then HEO, at Mr Burns' instigation, suggested that a CO from my staff should go to Brighton weekly - or more often if necessary - to despatch the forms. This would have involved the Alice-in-Wonderland situation of the forms being received at COIT in London from the DE reprographic service, sent by post to Brighton by my staff, then one of my staff would run down to Brighton at least once a week to despatch them!

All this in spite of the detailed proposal by me.

- (d) At the end of 1979 I simply put my old system into effect, with some trivial technical changes. I had no approval or choice.

Mr Burns, in face of my insistence that something be done,* made the decision to get a new HEO who was due to arrive in COIT at that time to "investigate" my proposal. The new HEO was told to do this and naturally discussed the matter with me, after which he wrote a minute enthusiastically recommending my project (which had in fact been put into effect by me in any case).

Faced with the fait accompli, with the inability to recruit a CO for Brighton, and with the enthusiastic report of the new HEO, Mr Burns finally approved the scheme. He then sent the file to Mr Fisher, then Senior Principal, for his formal authority. Prior to this Mr Fisher knew nothing about my proposal or criticisms.

I had put forward the proposal on 6 December 1977, and it was authorized at the end of December 1979: it had taken me two years of frustration, two years of being made a party to wilful wastage and a stupid, troublesome system, to achieve my aim.

Since first of January 1980 the system has functioned perfectly smoothly, without a single query or problem.

- (e) I anticipate that when this matter is enquired into, the excuse for adopting the "Irish situation" at Brighton in the first place will be that the staff of Common Services in 1977 could not cope with the despatch of IT forms to ROITs direct

* That my scheme be given approval.

from London. In this respect it is interesting to study the staffing situation then and now:-

Common Services and the Staff Unit (later combined) 1977	Staff & General Services 1984 ***
2 EOs	1 EO
6 COs	2 COs
2 CAs	1 CA

(In both cases the Telephone Operator and the Paper-Keeper are not included).

As my Section, currently staffed as shown in the right-hand column above, handles all the IT forms despatch to ROITs, along with case-file covers and IT Lls, without any problems, it is clear beyond all valid contestation that the reason why it could not be done by the old Unit - which had considerably more staff - was that there was such lack of control, supervision and organization that they were not up to it: plus the fact that it made Mr "Paddy" Bourke free from the irksome travail of having to cope with the forms.

(As an indication of my own temperament and nature, it should be noted that I proposed the elimination of the IT forms depot at Brighton although it would add enormously to my Section's work. In effect, I was willing to subjugate my own personal convenience in favour of preventing appalling and wilful wastage of money [precisely the opposite of what Mr Bourke did]).

It is vital to understand that never, at any time, was a single flaw found in my proposal. Nobody at any time contested any part of it. Quite simply, it was given a total brush-off. by so doing, Management betrayed that it did not have the gumption or judgement to give appropriate study to an important proposal relating to important economies (or conversely, preventing absurd wastage).

In brief, Management had no intention of accepting from a mere EO (and only six months or so with COIT) a total reversion of a scheme introduced by an HEO.

Management has shown itself on many occasions to be what might be vulgarized as "grade-mad", in that an HEO who is new, young and inexperienced, will be listened to, while an EO who has vastly more experience and capabilities will be brushed aside.

*** There has been no diminution in any aspect of the work, and in fact this shows how gross was the over-staffing.

(F) The final system, allowing for the minor technical changes from the original memorandum of 6 December 1977, was that my Section would simply order stocks of forms, maintain them in the store at COIT, and the ROITs would simply order when required by simple minute stating quantities (no SE 234 is required). Orders from me to the Reprographic Unit of DE HQ are staggered, being placed as and when required. This simple procedure, which operates to the advantage of the Repro Unit and the ROITs - without the slightest hitch - must be contrasted with Mr Bourke's old system, which flooded the Repro Unit with massive quarterly orders, and which imposed upon ROITs arbitrary quantities every quarter, causing severe problems in that quantities bore no resemblance to requirements (for reasons explained in Para.2 of Appendix A) and created storage problems in some ROITs.

I dislike introducing casual conversations into this report, yet I feel that one is merited because it succinctly summarizes the situation: an Assistant Secretary (HEO) at a ROIT said to me on the telephone, in what can be called a disgusted tone: "Everything was going all right until that stupid Paddy Bourke started interfering".

(There will be more about this later).

2) STAFF:

When I joined COIT I found immediately that a CO and a CA were virtually useless. I make that statement with considerable regret and indeed would have got more pleasure out of praising them.

I do not intend to introduce data concerning their inadequacies in this Report, yet it is obviously essential that I substantiate this statement to at least a minor degree. I will therefore give instances:-

The CO:

She was in charge of the stationery stores, which included the stocking of IT forms for the three London ROITs. She was given explicit instructions by me that when a form was revised, and the old one to be wasted, the greatest care had to be taken to waste the old stock when the new form arrived; and that when a form had been revised yet the previous version had to be used to exhaustion, she was never to put the new form on top of the old stock.

All these explicit instructions and entreaties were to no avail. Invariably when a stock of a revised form was received she would simply dump them on top of the existing stock. This would have meant (had I not supervised closely) that a revised form would be issued to the London ROITs then as the stock went down she would have arrived at the old form and started to automatically issue it - and the staffs of the ROITs might not have noticed that they were reverting back to old forms (at least for some time).

As some of the revisions were for legal reasons it was essential that old stocks were wasted.

Eventually I had to take over all the handling of forms myself.

As a CO, this woman should have been capable of writing a simple minute, yet she was totally incapable. For instance, I asked her to acknowledge receipt of a rubber stamp and she wrote: "We have recieved the rubber stamp and are grateful for it."

The CA:

She was given a pile of a President's letter to Chairmen and a pile of documents, together with prepared envelopes. She was told to put one letter and one document in each envelope, and that there should be 9 of each left when she had finished.

I carefully showed her how to take one letter from the pile, and one document, stressing that she had to make sure that she did not pick up two of either item.

When she had finished there were only 2 letters left and 19 documents. Staff had to open all the envelopes while I sorted out the contents, then someone had to reseal the 200 envelopes with gummed paper.

No operation could be simpler than this and the woman could not do it.

She was sent to the then Registration & Decisions Section to perform the simple task of making out dockets for applicants. After two weeks she was returned to me as useless. Many of her dockets had to be made out a second time, and even then they often were wrong.

She was sent to A Section of London (Central) ROIT but was returned to me the same afternoon: not wanted.

She was sent to another Section and was returned two days later.

This woman had been in the London (North) ROIT but refused to accompany her Section when it moved from 93 Ebury Bridge Road to Woburn Place, WC 1. She turned up and sat in a completely empty office, doing nothing, and Mr Bourke found her there and put her in Common Services. There was no reason why she could not have gone to Woburn Place (which was actually much more convenient for travel from her home) other than her obstinacy.

On one occasion I asked her to move her desk as it was blocking an exit passage to a door. When she did not do so I moved it. The next day she did not turn up, and was reported "sick". The next day she was also absent, and later that day I told someone to ring her to say that her desk could stay where it was, and the following day she reported for duty.

She had been with COIT for over three years prior to my arrival.

- (b) I now arrive at the purpose of mentioning the foregoing. I wrote numerous reports on these two members of the staff. Nobody contested them. Mr Bourke said of the CO: "She's a law unto herself" and of the CA: "There's nothing to be done about her."

When he left and Mrs Brough took over as HEO, she was very sympathetic about my complaints and had a stock phrase, always spoken with feeling: "Lou, I couldn't agree more". She claimed that she was unable to get the SEO to approve any action.

Then an HEO (Mr Tottem) substituted for the SEO for a few days and at my request he contacted Establishments and arranged for a "career interview" for the CO. She was subsequently transferred - two years after I had started writing reports on her. And the problem was simply shunted to another Division.

She visited COIT and I asked her what she was doing and she replied: "Filing". This is a CA's job.

The CA was sent for a "career interview" (a farce) and Establishments said flatly that they could not transfer her because it would destroy their reputation if she was shoved on to another Division.

Then in 1980 a new Section was opened up in another Division (dealing with a census, I believe) and she was seconded there on detached duty. Soon thereafter she was transferred to yet another Section and struck off COIT's strength.

This was three years after I had taken over the Unit, and more than six years after her engagement.

Here is the crux of the matter: For over two years in one case and three in the other, I was forced to watch these two women doing hardly anything because there was nothing they could capably do.

I wrote report after report categorically informing Management that these two members of the staff were employable for no more than 10% - 15% of the time. Nothing happened for the two and three years referred to. Taxpayers' money was literally thrown down the drain day after day and I was forced to watch it.

Reports are available, held in a cabinet in my office. An overall report on the CO which I was preparing just as she was transferred was thrown away by me.

The only term I can find to adequately describe a Management which imposes such terrible staffing problems onto a Supervisor, frustrating him to the limit of endurance, and which is indifferent to the waste of taxpayers' money, is "irresponsible". I regret having to employ the term, but I am the one who suffered and as far as I am concerned a spade is going to be called a spade.

3) FINANCIAL WASTE: THE LAW LIBRARIES:

(a) There are two Law Libraries at 93 Ebury Bridge Road and twenty-three at the ROITs and OITs. Each Law Library contains the following publications:-

Supreme Court Practice
 County Court Practice
 All England Law Reports (from 1936, twenty-nine years before the Industrial Tribunals started)
 Halsbury's Laws of England
 Halsbury's Statutes
 Industrial Cases Reports (also sent to all Chairmen)
 Industrial Relations Law Reports
 Industrial Tribunals Reports of Decisions (ITRs) (ceased on 31 December 1979)
 Stroud's Judicial Dictionary
 Mayne & McGregor on Damage
 Cheshire & Fifoot's Law of Contract
 Grunfeld's Law of Redundancy
 Redgrave's Health & Safety in Factories
 Redgrave's Offices & Shops
 Sex Discrimination

In addition, copies of all appropriate Acts and Statutory Instruments are contained in the Libraries (as well as being sent to all Chairmen).

With respect, I submit that the wastage on expensive bound volumes is enormous (The Supreme Court Practice costs £70 for Vols. 1 and 2; and the volumes of All ELRs, Halsbury's Statutes and Halsbury's Laws cost about £43 each [1980 price]).

Taken at random to illustrate my point are the contents of Vols 26 - 39 of Halsbury's Laws:-

Public Health	Purchase Tax
Rating	Road Traffic
Registration concerning the Individual	Royal Forces
Savings Banks	Shipping & Navigation
Taxation	Town & Country Planning
Trade & Industry	Trade Marks & Trade Names
War Damage	Water Supply
Weights & Measures	Agriculture
Constitutional Law	Customs & Excise
Fisheries	Food
National Insurance	Social Security
Carriers	Companies
Employment (Free Movement of Workers; Social Policy and the EEC Fund)	

Vol 18:-

Manufacture & Keeping of Explosives	Extradition & Fugitive Offenders
Family Arrangements	Undue Influence and Voidable Conveyances
Fire Services	Dairies & Slaughterhouses
Foreign Relations Law	

I submit that there is nothing in those volumes likely to be of even remote interest to the conduct of Industrial Tribunals, and even if there was it would exist in some more appropriate form such as an Act or SI. The same theme applies to hundreds of expensive volumes.

To my mind it is ludicrous, above all, that a tiny OIT which handles one case a day (and may go for a week without a case) has a Law Library more appropriate to the Supreme Court of Judicature.

...11

Equally ludicrous (again in my opinion) is that whereas the authorities propogandize the Industrial Tribunals as being a simple and speedy method of redress of complaints relating to Unfair Dismissal and suchlike - which any average individual can handle himself - the ROITs and OITs are stocked with these massive Law Libraries.

I have taken this question up time and time again with Management (including the present HEO) and - quite simply - nobody wants to know about it. The only comments I have been able to elicit are the following:-

- (a) That gaps are not wanted in the Libraries;
- and (b) An eager barrister or solicitor might refer to any of the volumes.

Neither of those comments hold water. In the first place, it is not a matter of "gaps": it is a matter of the entire set not being of use. And in the second place, any references by barristers or solicitors would most likely be red-herrings introduced to obscure the true issues, for the simple reason that there is no reason for anything from the three items referred to be applicable to IT cases. Even if such references are in fact made by barristers or solicitors, the Chairman could simply instruct the Tribunal Clerk to have photocopies made of the reference from the publication brought to the Tribunal by the barrister or solicitor.

Suppose, for instance, an eager lawyer referred to an All England Law Report of (say) 1890: the Tribunal would have to have a photocopy made. And if this could be done in the case of an 1890 citation, it could also be done for a 1980 one.

Naturally, there may in fact be no citations from All England Law Reports, but if there in fact ^{are} any they will certainly be extremely rare.

As for Halsbury's Statutes and Halsbury's Laws, I cannot see why they should ever be referred to (if I am wrong, and a reference is made once in a blue moon, then a photocopy would have to be made).

While the Supreme Court Practice might be available in the President's Law Library, I fail to see the necessity for

this volume in 21 ROITs and OITs (at £70 a time).

As I see it, the Industrial Cases Reports and the Industrial Relations Law Reports should be sufficient for the Tribunals, when conjoined with all the Acts and SIs.

As the essence of an Unfair Dismissal case is whether the dismissal was fair or unfair, it seems to me astounding that massive Law Libraries are required.

Set in the context of the current campaign by the Government to effect economies and stop wasteful expenditure, the flood of volumes constantly pouring in to the Industrial Tribunals seems thoughtless. (See addendum: P.26, Para.11).

- (b) Since the Industrial Tribunals were formed in 1965 no inventory of any Law Library had been taken until I instigated it in 1978 (see the first document on the Law Libraries file, written by me).

It should be noted that it need an EO to instigate this, no superior officer having even thought of it.

4) THE OLD COMMON SERVICES SECTION:

- (a) When I took over supervision of this Section it was a shocking shambles.

My predecessor had sent out a minute to all ROITs asking them to send in their unbound parts of ITRs for binding, including those from Chairmen. The parts should have been in complete sets when sent in, each set consisting of six or nine parts (depending in the volume) and an Index. Because no strict rules for submission had been laid down in the primitive minute, staff at the ROITs simply sent in all the parts they could lay their hands on, with little or not attempt to make sets complete. As an exercise of this nature requires to be strictly controlled from the very beginning, and there was no control at all at any time, a chaotic situation awaited me.

There were 9,000 loose parts of ITRs in any order, no effort having been made to control them. These filled three large metal bookcases.

There was no record as to which ROIT had sent in which parts. In general the reception of the loose parts had been left to the CO referred to in Para.2 herein: the worst person in the world to be given a job requiring meticulous control and organization.

I regret saying this, but there was no supervision.

This was the morass into which I was plunged and left to sort out, blighted by the then HEO (Mr "Paddy" Bourke), whose qualities were precisely the opposite of those required in such a situation.

I tried to get the CO and the CA referred to in Para.2 to sort all these loose parts into sets, but it was hopeless and I had to do the job myself. It took me weeks. Then I had to ascertain the deficiencies to make complete sets and order them.

In addition to the three bookcases, there were numerous boxes with jumbled masses of loose ITR parts in them.

In brief, the situation was mis-management at its very worst.

(b) The Section was a pigsty, with old rubbish everywhere. For instance, between the tops of the three bookcases (a total length of 15 feet) and the ceiling was a mass of rubbish. Under the desk of the CO referred to was a box containing five years' supply of used rubber stamps sent in by the ROITs. The Supervisor had not had the gumption to dispose of them, or to tell the ROITs to dispose of them.

(c) Every morning the HEO would come to the Unit to help slit open the mail (all post is received in the Unit). When I asked the staff why he did this, the answer was that he had nothing else to do (this was in fact an accurate statement). A few days after I had been there Mr Bourke came to me and - to my astonishment - asked me if there was anything I could give him to do, as he would "go beserk sitting down there doing nothing" (the quotation is exact). I told him there was nothing so he went down to the basement Registry to help the Paper-Keeper put files away. A highly-paid managerial Higher Executive Officer!

The Common Services Section was the only Section the HEO had, and obviously he was not needed. In fact, he was utterly detrimental to the Section and the post should have been eliminated, leaving me with direct access to the SEO (which was only necessary in matters relating to the staff for which authority was required - such as transfers).

Fortunately, after a short time Mr Bourke was transferred to the Registrations & Decisions Section, and Mrs Brough took over as HEO.

(d) In the same large office of Common Services was another Section referred to as the Staff & Instructions Section. As the EO's desk was parallel to mine it was inevitable that I should

soon notice that she had virtually nothing to do (this statement will shortly be substantiated).

This is not meant to be derogatory of the EO concerned, as the lack of work was inherent to the post, and the responsibility was Management's for permitting it to continue.

It was patently obvious to me within a week of my arrival (May 1977) that my Section and the other in the same room should be amalgamated.

This was eventually done in November 1978, eighteen months after my arrival and years after the Sections had been created.

Why could Management not see and appreciate what was so obvious to me immediately upon my arrival? The answer, of course, is the indiligence and neglectfulness of Management.

When I took over the Staff & Instruction Section, combined with the Common Services Section and then known as Staff & General Services Section, I found, indeed, that the EO had had nothing to do. As I took over the duties nobody is more qualified than I to make that statement.

Every day a few bits-and-pieces relating to pay or personnel matters came in from HQ and were simply passed to the two COs for attention.

The only thing I had to do was to prepare COIT Circulars and COIT Instruction Circulars, each one about every ten days. The Instruction Circulars consisted of notes (usually prepared by the Senior Principal) which were stapled together and sent for typing.

The COIT Circulars consisted of noting changes in staff above CO level, changes in Chairmen, and a few miscellaneous notes. Each circular took me about ten minutes to prepare.

This, then, was virtually all the previous EO of the Staff Section had had to do. Thus my belief that the post should have been eliminated years before it was, was confirmed.

Even the simple preparation of the circulars was ill-done, for the EO had maintained on the file all the scruffy old drafts of the circulars, making cumbersome untidy files. The first thing I did was to take the two files to pieces, take off the old drafts and throw them away, leaving tidy, compact files of circulars.

- (e) There was one CA in the old Staff & Instructions Section - doing totally useless work.

This consisted of making out dockets for Respondents. To my mind there was no need for these, as the Applicants' dockets sufficed. I found that the only reason Respondents' dockets were prepared and maintained was that occasionally (about three times a week from what I could gather) a solicitor would ring up about a case, would not quote a case-file number and could only give (accurately) the Respondent's name (his client), not the applicant's. Instead of the clerk receiving the call simply asking the caller to ring back with the case-file reference number, dockets were maintained. Thus, considerable costs in printing the IT 52R, and the total employment of a CA, was undertaken simply to deal with the occasional telephone call

I immediately recommended to the HEO (Mrs Brough) that the practice of preparing IT 52Rs and the post of CA should be eliminated, but she was reluctant to give approval. All she could say was that it would "look silly" doing away with the procedure "after all these years".

Then one day Mr Bourke (then in charge of Registrations & Decisions Section) came to me to ask for the wooden pidgeonhole contraption in which the Respondents' dockets were maintained, as it was needed for Applicants' dockets in the Registration Section. When I explained to him about my proposal to do away with the IT 52Rs he enthusiastically endorsed my view, and together we went to see Mrs Brough, who, under our combined persuasion, then agreed that the practice should be abandoned.

The CA post was retrenched (this falling just as the CA was promoted).

Later, at my suggestion, one of the two CO posts was retrenched, the remaining CO handling pay and staff matters.

Thus, a Section which for many years had consisted of an EO, two COs and a CA, now boiled down to one CO!

(F) Entirely at my instigation, four CO posts in the old Common Services Section were retrenched (a further CO post was retrenched, not at my instigation, when Mrs Thatcher's campaign for cuts got under way).

Why had this over-staffing been allowed to pertain for years?

5) THE PREMISES LIAISON OFFICER:

At the beginning of October 1980 a new HEO joined COIT: Mr B C Laughton (about 35 years service, mostly in UBOs). Within four days he had shoved the Premises Liaison job onto me, wanting no part of it himself.

This job had always been done by the COIT HEO, for the very simple reason that he had hardly anything to do (see DE HQ Survey Team report which said of the then two COIT HEOs that one had "very little to do" and the other "little to do". Both statements were euphemisms for "nothing" and "hardly anything." (I will return to this shortly).

The Premises Liaison Officer's job consists of constant minor irritations: leaking toilets, electric lights not working, heating not functioning properly, and so on. This is why the HEO wanted no part of it.

On 10 November 1980 (about three weeks after I had taken over the post, in addition to running the Staff & General Services Section) the heating system broke down completely due to the Thames flooding through a sump into the basement.

Most of the staff were sent home in the morning of the 10th (this was not the first time).

On the 11th, many of the staff went in taxis to the offices at Woburn Place, taking files, etc., with them. Chaos reigned - as the saying goes - supreme.

The heating system at No. 93 Ebury Bridge Road is notorious, the source of constant complaints from the staff (cold air blowing out in winter, hot air in summer!), and frequent partial breakdowns. The general consensus of opinion among the staff is "Nobody really understands it".

I waited for seven days after the heating was returned to normal (mid-day on 11 November 1980) then wrote an aide-memoire when it became obvious that Management was doing nothing to prevent a recurrence.

A copy of the aide-mémoire is attached as Appendix B. It will be seen that I sent a copy to Sir Robert Cox, Chief Executive of the PSA, to the PSA Area Officer, and to DE Est C5c (Accommodation Services).

I was admonished by Mr Burns, SEO, for sending a copy to Sir Robert Cox. I was told that the normal channel of communications was to Est C5c. I replied that I knew this, of course, and had deliberately involved Sir Robert

Cox in the hope of getting something done about this vexing question of the heating system and the refusal of Est C5c (through the PSA) to provide an emergency stock of electric heaters.

If Mr Laughton had wanted to impose the duties on me, Management would have to expect that I would do things my way - which would not necessarily be stereotyped.

In effect, Management (Mr Burns) preferred that I adopt the orthodox procedure of writing to Est C5c - which was guaranteed to achieve no results (based on past experience, and in particular the fact that only ten days before this fiasco I had asked Est C5c to provide 20 electric heaters and had been refused) - rather than my writing principally to the Chief Executive of PSA and possibly achieving results. I told Mr Burns that I had acted as Premises Liaison Officer and that all blame - if any - should be attached to me.

6) THE COIT HEOs:

- (a) I was astounded when I joined COIT and took over the then Common Services Section that there should be a Higher Executive Officer assigned solely to that Section. There was glaringly nothing to do (except interfere with my efforts to organize the chaotic Section), to the extent that the appalling situation arose wherein the HEO slit open envelopes every morning in the Section, and helped the Paper-Keeper put away files (just to give himself something to do). This had been going on for years.

Even more surprising was the case of another COIT HEO (Mrs Brough), who had the sole function of being in charge of the Staff & Instruction Unit, to which I have previously referred. She, too, had been there for years. ***

Even after the amalgamation of the two Sections, with Mrs Brough as the HEO, there was nothing for her to do. It was only necessary for me to refer matters needing authorizations to her (transfers, etc), and this was academic to a large extent because no action was usually taken (being referred by her to the SEO).

The indiligence and gross neglect of Management is evinced by the ludicrous state whereby HEOs were kept in post doing

*** At the time of writing the remaining element of the old Staff & Instruction Section in my Section is one CO (Miss Pemberton). Therefore, Mrs. Brough, HEO, had for years effectively supervised only work which could have been done by one CO! The duties have not diminished in the intervening period. ... 18

virtually nothing.

Mrs Brough's post was retrenched (early retirement) following the DE HQ's report.

(The SEO said to me of my Section: "It is obviously a well-run Section." Little did he realize the frustrations of running it).

If confirmation of the statement that Mrs Brough had nothing to do is required, it can be found in a statement she herself made. When she was going on two weeks summer leave no provision had been made for substitution (a normal procedure in COIT and the Regional offices) and when I mentioned it to her she replied that there was no need for anyone to act-up for her because there was "nothing to do".

However, the previous year the EO of the then Staff & Instruction Section (a firm friend of Mrs Brough) had substituted for her for three weeks (doing nothing!). That EO had also been promoted to HEO, Mrs Brough being the Reporting Officer.

(It puzzles me how an EO who for years had been doing virtually nothing (in the then Staff & Instruction Section, not because it was her fault but because there was nothing to do; and who had sat for those years watching a CA make out Respondents' dockets unnecessarily; and who had not had the gumption to throw away scruffy old drafts of circulars) could have relevant parts of her Annual Report satisfactorily completed: such as JUDGEMENT; FORESIGHT; OUTPUT, etc.)

Later, I substituted for a week for Mrs Brough. This arose because a problem had been created in that one of my COs was disgruntled that she had been unable to act-up for me because I was not acting-up for Mrs Brough. So on the next occasion of Mrs Brough's absence the SEO ruled that I had to substitute for her. I sat in her office for a week, answering an occasional personal telephone call for her and a ten-minutes job about Press Notices for the SEO; that was all. To avoid the embarrassment of sitting doing nothing all day, I dealt with my normal Section work.

"Substitution" is one of the more ludicrous aspects of COIT. One would find it hard to believe, but when Mr Bourke went on leave an EO (my predecessor in the then Common Services Section) acted-up as HEO(!). Management gone mad.

7) THE COIT SURVEY TEAM:

In late 1978 the OE HQ Survey Team started an inspection of the ROITs. This gave Management a brainwave and a COIT Survey Team was formed. When I asked Mrs Brough why this had been done she replied: "To justify their existence!" This - far from being a jocular remark - was true. It so happened that an HEO (Mr Tottem) and an EO had been hanging around with little or nothing to do, and thus it was considered a good idea to form them into a COIT Survey Team.

To the general astonishment of the staff the Team was sent round on the heels of the OE HQ Team to survey the ROITs!

The COIT Team became known as The Vultures or The Nitpickers. The officers had had no training and patently did not even understand the basic principles of a survey. For instance, when they came to my Section the EO asked for a calculator and started doing all the calculations on weekly statistics to see if there was a clerical error (he found none). It is not the purpose of a Survey Team to search for trivial clerical errors.

The Team caused an enormous amount of upset. The HEO admitted to me one day that "I know we've upset a lot of people".

Each ROIT has an HEO as Assistant Secretary, and there is an SEO for the northern ROITs and one for the Southern ROITs. These officers should be able to organize and control their ROITs; and if an occasional inspection is necessary, it certainly should not be by untrained and unqualified staff.

The then HEO of the London (South) Region (now retired) became deeply incensed by the report on his ROIT, categorically condemning it as a "Pack of lies" and adding that he was now forced into the position of having "to fight it".

Perhaps aware of criticisms, Management asked the ROITs if they had derived any benefit from the COIT Team. Naturally, the answer was: Yes. Anyone who expects an HEO to say what he truly thinks (and being condemned by the Management which had given birth to the Team) would be naive.

In any case, if any ROIT did derive any benefit, it was an indictment of their own lack of managerial skills and gumption

in permitting conditions, circumstances or procedures to exist which could be found and remedied by an untrained, unqualified Team.

The DE HQ Team, in its report, blithely remarked that the COIT Team "should be disbanded when it has finished its job". The latter part of that statement was obviously a face-saver for Management. I had reason to believe that the DE HQ Team was astonished at the COIT Team following in its wake - as well it might be.

The recommendations of the DE HQ Team, in the main, were not implemented insofar as they pertained to staff surplus.

Then in 1979, when the Government started insisting on staff cuts in the Civil Service, to everyone's astonishment the COIT Team was again sent round all the ROITs to do a second survey (thus indicating how useless the first one had been!) it was generally thought among the staff that the real reason for this was to be able to refute demands for cuts, and to continue contestation of the DE HQ Team's report.

However, this did not work out as Management had anticipated, and the pressure for cuts became more insistent and eventually had to be acted on.

Eighty posts were retrenched. Having done all possible to resist it (by smooth and unctuous memoranda to Establishments Division), Management (chiefly Mr Burns, SEO) threw themselves with enthusiasm into the cutting and slashing, patently to convey how eagerly they endorsed the Government policy.

Even then the COIT Team lingered on, writing its "reports", until the HEO applied for a transfer, followed shortly thereafter by the original EO (who soon left the Civil Service). Thus - finally - the COIT Team died a natural death.

The financial wastage on this Team (allowances, etc) was considerable.

For the second "survey" the EO who had been my predecessor in the old Common Services Section was added to the Team. The reason for this was, quite simply, that she had been in the Vetting Section and it was decided that there was an EO too many in that Section (by 3 p.m. daily all the applications had been vetted). There had been four EOs.

As the COIT Team had consisted of an EO and an HEO for its first tour (and as the DE HQ Team had in any case surveyed the entire organization over a long period), the addition of another EO for the COIT Team's second tour was - indeed - a measure designed to justify the EO's existence.

To my mind - as I had suffered so much from the extreme mal-organization and shambles I had inherited from the EO - it seemed pathetic that she should be given the role of "inspecting" ROITs' organization and procedures! I had made my comments on the shambles of my Section known to Management (and had been profoundly thanked by the Senior Principal for cleaning up the mess (to the extent that one day he said to me: "I appreciate all you've done. We regard you as our guiding light")), yet "Management" was sending her on inspections. The EO is very likeable and may have exceptionally fine qualities in some spheres, but organization, efficiency and effective control of staff are not among those spheres. Consequently, a really good Management, intent on fitting round pegs into round holes, would allocate her to a role more in her line. The fact that this was not done (in other cases, also) illustrates the inability to get the best out of staff, in the general interest of the Organization.

The whole concept of this ridiculous Team (ridiculous because the DE HQ Team had done a survey and the COIT Team was being used mainly to refute suggestions relating to staffing) was best summed up by a single word uttered by an EO who had my respect as a practical, commonsensical officer. "Dreadful!" she remarked when I asked her what she thought of the COIT Survey Team.

When there was a meeting to discuss the Team's report on my Section, the EO demonstrated his complete lack of understanding of his function by proclaiming that there had been a "shortage of staplers" in my Section! Apart from the fact that it is not the role of a Survey Team to look into staplers, there had never at any time been a shortage.

Some time earlier, concerned at the number of staplers my Section was issuing, I had sent Section Supervisors a minute informing them that in future staplers would only be issued when a new post was created, or when a broken stapler was

presented. Somewhere along the line someone must have mentioned that there was difficulty in getting staplers (although there was no difficulty if the conditions were complied with) and the Team EO had interpreted it as a shortage. Had he spoken about this to me I would have corrected him, but he did not do so - obviously because he preferred to raise it at the meeting with the Senior Principal.

The Team HEO and the EO (together) spoke to me about the Law Libraries. I gathered that during their tour (the first) they had been appalled at the expenditure on publications which were "never touched" according to them. They became very incensed, proclaiming the wastage to be a "scandal" and saying very determinedly that they were going to do something about it.

They did nothing. They made no mention of the Libraries in any report; and at the meeting to which I referred there was not a mention of the subject. Obviously, they did not really intend sticking their necks out on this vexing and major matter.

Prior to the Team's visit to my Section I had written a detailed report on the CA who was useless, terminating the report with a request that it be appended to the Team's report on my Section. But it was not appended, nor was there any mention of the CA at the meeting. Being useless and untransferrable (until a new Section was formed at DE HQ) the Team obviously decided not to bring up this subject. They could, of course, have asked why a persistently incompetent and inefficient officer, unable to perform more than the most trivial duties (such as placing circulars into folders for circulation to the staff) had been allowed to carry on for (at that time) five years, without appropriate action being taken.

8) MANAGEMENT and STAFF RELATIONS:

In November 1980 my two COs refused categorically to perform a certain function. This was based on a principle, and consequently I backed these two worthy COs without reserve.

At this stage it is essential to read my aide-mémoire attached as Appendix C (copies to Mr A D Burns (SEO) and Mr B C Laughton HEO). Study of that aide-mémoire will provide a complete

appreciation of the situation.

I regret to say that the ineptitude of Management which is so patently and indisputably shown in the aide-mémoire is, unfortunately, symptomatic of the general inability to assess and analyse all pertinent factors of any particular problem (always remembering my definition of "Management" insofar as it applies to this Report).

The matter was dropped by Mr Burns and Mr Laughton after submission of my aide-mémoire. However, an EO who can claim to be hard-working and who has done so much (against latent opposition) to protect the financial interests of the tax-payer, ought not to be propelled into the invidious position of having to write such an aide-mémoire (or, for that matter, this report). The writer naturally would prefer to have excellent relationships with his superiors, but unfortunately this is made difficult by the calibre of acumen and flair of some superiors (not all, by a long way).

The matter might have been allowed to end with that aide-mémoire, but it seems that covert action has indeed been taken by one (or both) of the officers involved.

Within three weeks Mr Alam was interviewed by an officer from Establishments Careers Division, who visited him at COIT HQ. This poses the question: Why?

Mr Alam has been less than two years in the Civil Service. He has never applied in writing for a transfer from my Section. During a Job Appraisal Review following his first Annual Report, he did in fact mention, casually, to the HEO who conducted the review that he would like a transfer because of the banality of the work. This was so casual that Mr Alam never even spoke to me about it, and I was informed by the HEO in general conversation.

Numerous COs must wish for transfers during JARs, but no attention is paid to them - at least before they have completed three years service with a Section. An enormous number of jobs are "banal".

Nothing had been said by anyone since the early days of 1980 when the JAR took place; that is to say, Mr Alam has never referred to his casual request, nor has any HEO.

Then suddenly, so soon after the threat of disciplinary action, Establishments reincarnates the long-buried remark in the JAR report (which was known to Mr Burns, the counter-signing officer of the document).

I would not have the slightest objection to Mr Burns or Mr Laughton initiating disciplinary action, which could be fought to a conclusion, but I do object to surreptitious, covert, unethical retaliation.

Because I do not wish to stand in the way of Mr Alam's transfer, I took no protest action.

9) MANAGEMENT: LACK OF REALISM:

In late July 1980 a By Hand letter delivered to my Section was placed in a transit envelope for delivery to the Section concerned, whereas a Tribunal involving the letter was in progress and it should have been rushed to a Tribunal Clerk (this was not known by Mr Alam).

As a result of this a meeting was held by the COIT HEO (then Mr J Gray (now retired) and the HEOs of London (Central) and London (South) ROITs, as a result of which complex written instructions were issued for the handling of incoming mail. None of those officers knew anything about the practical handling of mail by my Section, and the instructions were totally inapplicable.

I was available, yet these three HEOs did not have the courtesy or commonsense to ask me to participate in the meeting (again, the "grade-mad" symptom).

As a result, I was compelled - against my natural inclination - to write the memorandum which is attached as Appendix D.

Once again, deplorable management resulted in strife; and once again I was placed in the position of having to take a firm stand against unfair and unjustified disparagement of my Section.

10) This is by way of an addendum to Para.8.

When arrangements were finally made to transfer Mr. Alam, I asked the Careers Office concerned (Mr N Peterson) why he was being transferred after only slightly more than two years in my Section. I was informed that Mr Burns had recommended

the transfer because he considered Mr Alam to "be a bright young man" who should be given a chance.

At the time when Mr Alam had been threatened with disciplinary action, on the following day Mr Burns had said to me that Alam was "cocking-a-snoot at Management". This had been accompanied by a two-finger sign and was said in a vehement manner, both of which belied any desire to consider Mr Alam to be a bright young man or to make an intensive effort to further his career.

In brief, Mr Burns was getting rid of Mr Alam for obvious reasons, camouflaged as a normal transfer, by subterfuge. Quite simply, the reference to a "bright young man" is incompatible with the threat of disciplinary action and the anger at "cocking-a-snooth at Management."

- 11) With considerable regret I feel that it would be unbecoming of me to shirk a highly personal remark about Mr B C Laughton, COIT HEO: it is that he has a foul temper which he is unable to control. Another EO referred to him (to me) as "a menace". It seems to me important that the readers of this report should be aware of this, for harmonious working relationships between grades are, in my view, important to the overall performance of an organization. The conduct of officers should be such as to inspire respect in subordinates. This does not mean that an officer cannot be firm, outspoken or critical with subordinates; indeed, I have found that people will respect you if they know where they stand, and most are honest enough to recognize their errors and their failings. I do not, however, have any respect for Mr Laughton, who in my calculated opinion is the worst HEO COIT has had since I joined. Notwithstanding his 35 years in the Service, mostly in UBOs, he has not the slightest idea how to treat staff (as is evinced by his conduct in relation to Mr Alam), he cannot work under pressure (even slight) without "blowing his top", is patently unable to assess and analyse all factors pertaining to a problem, creates unnecessary work and problems which never ought to arise, and cannot generate a logical and commonsensical approach to matters. A study of various files in which he has written minutes will indicate the illogicality of approach. (For instance, the file on Industrial Cases Reports, on which I wrote a long and important memorandum relating to COIT's purchase every year of double the quantity actually required (252 bound volumes plus 2,770 monthly issues)).

I am adding this page as an afterthought, as I wish to stress that invariably Mr.Laughton's foul tempers, in which he acts like an S.S.Röffenführer, are caused by his own incompetences.

As I feel that I should substantiate remarks of that nature, I will quote an instance.

He asked me to arrange for the installation of three desks in Room 2/17 for casual staff who were being taken on for a fortnight, and I made the appropriate demand to Mr.F.Leggatt, the then Accommodation Officer for 93 Ebury Bridge Road (an officer of Est C5c). In due course Mr.Laughton asked me to cancel the desks and arrange for porters to move a large table out of an Industrial Tribunal to Room 2/17 instead. I was told by Mr.Leggatt that a lorry was at that time loading the three desks and it was impossible to cancel them.

I telephoned Mr.Laughton to inform him, but - without the slightest excuse - he went into a towering rage, screaming that he had "Had my fill up to here! GET IT DONE!" then slamming down the phone. At least two officers were in his office at the time.

This incident reveals the following aspects of Mr.Laughton's competence and character:-

- (a) Countermanding an original order at a late stage;
- (b) When informed that there was no need for the Tribunal table to be sent up to the room as desks were on their way, for some unaccountable reason going into a rage;
- (c) A patent inability to cope coolly with minor matters;
- (d) Creating a situation then blaming another officer even though nothing had gone wrong, and in fact everything was fine;
- (e) While expecting respect to be paid to him, abusively failing to pay respect to a mature officer (62 years of age) without just cause;
- (f) Screaming at the other officer on the telephone; and doing so when at least two other officers were present in Mr.Laughton's office, thus humiliating the other officer;
- (g) Creating a situation of bad-faith and bad-blood unnecessarily, when all officers should do all possible to create harmony.

Someone expressed to me his opinion that Mr.Laughton was "out out of his depth." I share that view. He might be suited to dealing with UBO procedures, but not COIT. He is too bossy, abrasive, unsophisticated and devoid of cerebral acumen.

- 12) This is by way of an addendum to that part of this report which covers LAW LIBRARIES.

In March 1981 the DE Book Ordering Unit wrote to COIT to say that a new edition of Supreme Court Practice would soon be published, and asking whether it was really necessary for the tribunals.

Mr B C Laughton replied to the effect that the SCP was needed for all the Law Libraries (24).

However, the Book Ordering Unit had sent a copy of their minute to all ROITs, and some of the ROITs replied directly. Only 2 said the publication was required; the majority said that it was not necessary. All the comments were made by Regional Chairman, and one stated that he could not "honestly say that it is necessary" but would like a copy if possible.

Therein lies the crux of the matter. With the exception of Industrial Cases Reports, Industrial Relations Reports, and I.D.S.Briefs, no other publication is necessary; however, obviously it is pleasing to ROITs to possess an imposing Law Library: it looks so nice, seems so important, and seems imitative of the Supreme Court of Judicature; it can also be used by chairmen who have private legal practices if they so wish.

ICRs and IDS Briefs are issued to all chairmen (186). IDS Briefs are also issued to members of tribunals. The IRLAs are issued on the basis of two, three or four copies per ROIT. All of them are monthly publications.

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- 13) DEPARTMENT OF EMPLOYMENT: OVERSEAS DIVISION OAL:

I was four years in this Division.

There are eleven (11) Labour Attachés at foreign posts, and not a thing they have ever sent in has been used to the benefit of the country, any Government Department, British industry, commerce or finance! (That merits an exclamation mark).

I asked an EO who had been there for fourteen years if he had

ever known of a single thing the Attachés sent in which was put to use in all those years. No, he had not.

The stuff they send in is copied to various branches of the DE, such as Industrial Relations, Incomes, Research & Planning. None of it has the slightest effect on the U.K.

Much of it is Union twaddle. At one time, when a Union in France needed a new Secretary General, the flood of commentaries from the Labour Attaché naming this prospect and that prospect, caused a normally highly phlegmatic HEO to say that he was sick and tired of the "non-stop saga".

"Reports" from the Caribbean average one page a fortnight: ten minutes work, and are renowned for their triviality. One said that a tinpot union could not pay the rent of its offices, and did we think the TUC could help. Religiously, it was copied to the TUC. Another proffered the vital information that a union meeting had been transferred to another hall a hundred yards up the road, the time had been changed to an hour later, and no refreshments had been served. Then followed a blurb of a hackneyed speech made by someone. That would have been reported in the local papers, and it would have been cheaper to obtain the shattering speech by buying a copy of one of them. If the French SMIC is increased 2% it is religiously reported, although of course it has nothing to do with the minimum wage in the U.K.

I was asked to do an exercise to compile a list of "major" reports sent in over the previous eighteen months from the then Labour Attaché at the Washington Embassy. There were so few that I included any of one-page in length. The total came to 52 pages - an average of 3 per month! Most of it was AFL - CIO news which could have been obtained from a hundred cheap sources.

When I sent in the pathetic list, I attached a sheet from myself drawing attention to matters which were never reported on: New techniques for assisting men to change their trades; training required to meet new industrial processes; new safety techniques designed to prevent or reduce accidents; safety of workers in corrosive liquids or explosives industries. I heard no more of that. "They" must have thought it strange

that a CO (as I was then) should send in such a recommendation. I asked an SEO what all these Labour Attachés achieved, and somewhat weakly he muttered that they made contacts with union officials. With the Ambassadors making contacts, and the Military Attachés making contacts, and the Commercial Counsellors making contacts, and the Political Attachés making contacts - who wants union contacts!?

When, in 1966, the French promulgated an Act giving job security, and maternity rights, to women, it would certainly have been reported by the then Labour Attaché in Paris. But nothing was done by Britain for 10 years, and even then the conditions were not based on any French or German or whatever system.

The Germans and French have had industrial democracy for years, and volumes of material have been sent in from the Labour Attachés, but it has not induced Britain to indulge by promulgating laws in that connection.

Once there were 25 such posts, but over the years they have dwindled to 11. That shows that once upon a time there were 14 unnecessary, financially wasteful posts. Just as there are 11 today.

CONCLUSION:

For eight years I have worked in the Civil Service, and during much of that time I have been forced to sit day after day, under implicit duress, watching the taxpayers' monies been wasted on two former members of my staff who were patently unable to properly perform their duties; and furthermore, to be subjected to the gross indifference of some senior officers about that condition, an indifference which ignored my written reports and which finally shunted the problem elsewhere in the Department of Employment.

I have seen an important recommendation by me (the Brighton fiasco) be ignored for more than two years, without one single flaw being found in it, without a single word of argument submitted against it; and finally accepted only because of force of circumstances which left no choice. And I sense latent resentment in at least one person, Mr.A.D.Burns, that I forced the struggle to a satisfactory conclusion. This

sense of latent resentment is based on the facts that never has he expressed a single appreciation of the work, effort and endeavour of me or my Section, while he seizes with relish upon the very rare trivial instances of less than 100% perfection (such as on a single occasion in my four years service when the office was left unattended from 1.30 to 2.00 p.m. owing to very exceptional circumstances).

Mr. Fisher was at least considerate, on more than one occasion expressing his appreciation of the way I had cleared up the mess which I inherited, and on one occasion saying: "I'm very grateful for all you've done. We regard you as our guiding light."

And Mr. Hunter, another SEO, when he was the COIT SEO, said: "I want you to know we're very impressed with you."

Unfortunately, under the combination of Mr. Burns and Mr. Laughton administration is worse than it has ever been. Neither of them can "see straight" (I am far from the only one to hold this opinion).

For instance, I showed a memorandum which I intended submitting "upstairs" to a very mature EU whose opinion I respect, asking him what he thought of it. "You won't get anywhere with that," he commented. I asked him why not and he replied, "Because it's all plain common sense!"

If these two officers were asked to cross a river in a rowing-boat they would first want extensive research done to ascertain what wood the boat was made of, the speed of the current at the crossing-point, and whether the river had a sandy or rocky bottom. Then they would end up drifting onto a sandbank. The nature of my Section requires a practical application, not theoretical. We have to keep 16 Regional Offices supplied with IT forms and publications, which entails maintenance of a large basement store, unpacking enormous quantities of material, packing, stringing and handling. For this I have one CU and one CA (disabled: a mental problem). Of course they have much more to do in addition. I can manage with them provided I am left to get on with the job. Since my aide-mémoire relating to tracings, interference has in fact stopped: they got the message.

While my aide-mémoire concerning heating, addressed to Sir

Robert Cox, brought compliments from chairmen and staff who saw it - who appreciated my unorthodox effort to stop the rot which had been going on for years - what I received from Mr. Burns was an admonition for not adhering to protocol (I should have sent it to the HEO of the Accommodation Service (which had been done by SEDs in the past, without the slightest result!)). (The aide-mémoire was effective and there has been no further trouble; unceasing technical attention is now paid to the building).

The height of absurdity to which the administration can rise is shown by the fact that after three years of intense struggling I managed to get Establishments to appoint a porter-messenger to the messagerial staff in the building, to assist in moving the enormous volume of material which comes in and goes out. He reported one morning and by noon had disappeared. I was informed by the Head Messenger that he had been recalled because the messenger who should have reported back to Caxton House to offset the new man simply refused outright to go. The reason for this was that he sits in the kitchen, nice and comfortable, for 80% of his time, and at Caxton House would not be able to get away with it. Instead of disciplinary action against the messenger who refused to comply with a perfectly valid order, they withdrew the porter-messenger for whom I had struggled for three years. I asked Mr. Laughton to take this matter up, but to no avail.

This incident was the Civil Service at its worst: nobody wanting to make waves, or complain to another Branch. Let me recount how absurd and intolerable my work is made; 56 large boxes of envelopes required to be moved from the third floor to the ground floor. This was not a clerical job; the Senior Messenger declined to get it done, and was backed by the Deputy Office Keeper. I asked Establishments for a porter-messenger and this was categorically refused. So I passed this problem to Mr. Laughton, who passed it to Mr. Burns (the HEO is no more than a transmission-officer), who wrote to the Principal of the Branch concerned. The Head Messenger was then told to arrange it. All that ridiculous palaver (which has been going on for

years] because a messenger refused to quit his comfy kitchen to report to DE HQ for duty.

Perhaps the gross ineptitude of "Management" (meaning Mr. Burns, SEO, and Mr. Laughton, HEO) is best shown in the matter of the choice of a successor to Mr. Alam, the CO who was transferred as "a bright young man" following the threat to take disciplinary action against him.

As the replacement would be the only CO I had to deal with the despatch of about one million IT forms per annum to ROIT, and the supply of stationery to the London ROITs, plus doing weekly and monthly statistics, it stands to reason that a person of quality was necessary. Any inability to do stats, or dislike of the physical handling of IT forms, etc., would naturally obviate any potential incumbent. So would known unreliability.

Yet what happened in practice. These two senior officers took on (without reference to me) a CO whose probationary period was "unsatisfactory" and who has been granted a six months extension to mend his ways (after 4 years in the service) otherwise he will be demoted to CA. He has had such excessive uncertified leave that five days have been deducted from his annual leave, and five days pay also stopped, and he has been informed that further pay will be stopped for uncertified leave.

This type of person is well known in the Service. He calculates the appalling weaknesses of the system whereby, to use a colloquialism, one can "get away with murder", and takes his excessive days off and laughs behind the back of the Administration.

With 2,500,000 unemployed, many of whom would give their right arms to be a CO in the Civil Service earning net after all deductions £330, and who would provide absolute reliability, efficiency and competence, it is nothing short of scandalous that COs such as that pushed upon my Section should be allowed to "get away with it".

However, the foregoing is not the point of this memorandum: what is the point is that when Management should patently have ensured that a good quality CO replaced Mr. Alam, on whom I could utterly rely for conscientious effort, they allowed themselves to be fobbed off with this dud.

Within several days - in fact in the same week - of his joining my Section, he was away for two days on uncertified sick leave!

If a Section is large, such a CO can be borne; but when he is the only CO (apart from a woman handling staff matters, who cannot do all the basement work of IT forms), it is disastrous. Yet the two senior officers concerned shoved this CO onto my Section.

THE COIT HED POST:

This post is an utter absurdity. Patently, it should not exist. The incumbents at all times have more-or-less acted only as a sort of post-box, transmitting things backward and forward to the COIT SEU. As stated earlier, the present incumbent - Mr. Laughton - creates unnecessary work, starts projects without cause and then abandons them completely because they have got beyond his control, and breeds bad faith among his subordinates owing to his over-bearing and pompous manner.

He is - like the SEU, Mr. Burns - a terrible procrastinator: the worst I have ever met, in fact.

In February 1981, for instance, I submitted to him a very important memorandum suggesting a change of policy in the ordering of case-file covers from the manufacturer (35,000 p.a.), whereby with the new postal arrangements which are to come into effect on 1 April 1982 we should give consideration as to whether the manufacturer should be asked to deliver directly to the ROITs instead of in bulk to COIT, in order to avoid the enormous cost of posting the parcels from London to the Regions. On Friday 15 May 1981 I asked Mr. Burns if he had seen the memorandum and he had not: after more than three months it was still with Mr. Laughton! (See Appendix G).

A draft instructions for the operation, financial aspects and security of the public photocopying machine, submitted by me on 9 December 1980 for Mr. Laughton's approval, is still with him at the time of writing - six months later!

Industrial Cases Reports:

Please read Appendix E in order to understand what follows.

It will be seen that the Industrial Tribunals receive twice as many ICRs annually as required, and that when a bound volume is received there are, every year, almost 3,000 unwanted loose parts for that year washing around. The object of my memorandum was to attempt to have the contract re-negotiated to avoid this waste, or alternatively, to

do away with ICRs and substitute the more popular Industrial Relations Law Reports (of which we currently receive only 55 copies per month for distribution to ROITs (not to Chairmen)).

When Mr. Laughton received my memorandum he sent the file back with a minute asking two questions: (a) The method of distribution; and (b) Details of distribution.

I wrote back as follows:-

"The method of distribution cannot possibly be relevant to the issue evoked by me in Doc.22; and of course the introduction of irrelevancies may tend to obscure or confuse the principal issue. If there is some point which is eluding me, and which does in fact make the method of distribution pertinent to a study and resolution of the matter raised, I shall be grateful to be informed so that I can adjust my thinking."

It will be seen from my memorandum at Appendix E that the method of distribution has absolutely no bearing on the issue. And as for details of distribution, this was equally unimportant - and in any case full details were contained in the file. This minute from Mr. Laughton indicates the lamentable ineptitude with which he approaches problems.

Some time after the file had gone back to Mr. Laughton I was astounded when he told me that he had arranged with Mr. Aitchison of the Book Ordering Unit (Central Library of the DE) to take all the surplus volumes of ICRs from the ROITs, and that he - Laughton - was going to send a minute to all Assistant Secretaries at the ROITs asking them to pack them up and send them to the Library.

I asked Mr. Laughton what the Library could possibly do with over 5,000 loose parts of ICRs existing at that time, to which he replied, "I don't care what they do, mate, we're getting rid of them, that's all I'm worried about!"

In other words, he was double-crossing the BOU by not having properly represented the situation to Mr. Aitchison, although

we rely enormously on the cooperation of the Book Ordering Unit, which has indeed always cooperated fully with us.

I had no intention whatsoever of letting my friend Mr. Aitchison be hoodwinked, so I telephoned him and found that, indeed, he expected to receive only a relatively few loose parts of ICRs, which he had intended sending to the Employment Appeals Tribunal.

I told him that he would be receiving nearly 3,000 per annum, with well over 5,000 to start with. I explained to him that when our monthly issue arrived it was contained in three very large and heavy parcels each about 2 ft x 1½ft x 6 ins, and thus for every year's supply he would receive thirty-six such parcels. I explained that - knowing the way most RULTs handled things - the loose parts would not be in sets, but would be thrown higgledy-piggledy into boxes. I explained that it would take an enormous number of man-hours to empty these boxes and sort everything out - and in any case what could he possibly do with such huge quantities?

Naturally, Mr. Aitchison was horrified at the prospect of being burdened with these unwanted ICRs, and the creation of an exceedingly awkward problem for the Library. He rushed off a minute to Mr. Laughton cancelling his earlier agreement to accept unwanted ICRs.

This, then, was the sole result of my efforts to stop the annual wastage. Nothing else has been done and the file languishes with Mr. Laughton, no action whatsoever having been taken on Appendix E.

If the Industrial Cases Report file is studied in relation to the foregoing, the Law Libraries file will also need to be studied as Mr. Laughton has placed documentation specific to the ICR file on the wrong file.

On 5 May 1981 Mrs J Cooper, who was an EU said to deal with "Special Management Projects" and "Statistics" was transferred after many years in that post.

There was (and is) practically nothing to do in the post. My Section deals with weekly, monthly and quarterly statistics, and the "Statistics" referred to in what is delightfully termed the "Organizational Chart" (see what follows) covers only annual statistics which will take up a few hours

of the EO's time yearly, and an odd recent statistic referring to Pre-Hearing Assessments (which have arisen following the promulgation of S.I. 884/1980).

The Special Projects are non-existent.

It was patently clear to me that Mrs. Cooper had virtually nothing to do: one would have had to be blind to ignore that: and Management is - regretfully - blind in my calculated opinion.

In order to stress that the foregoing is not merely my opinion - perhaps jaundiced by my unfortunate personal experiences of mal-administration and mismanagement referred to herein - I should like to say that on 20 May 1981, Mrs Cooper's replacement - Miss B. Stephenson - while in my office, stated categorically that she was disgusted with the new post and had in fact lodged an official grievance relating to it. With Miss E Pemberton (of my staff) as a witness, Miss Stephenson said that all she had had to do "in the past fortnight" was to reply to a letter! She added that the Appeals Case Index (which is done fortnightly by two Chairmen and simply passed to Mrs Cooper for reproduction) had been "left in a mess." Mrs Cooper was the EO who left my Section in a state of utter chaos, into which I was hurled when I joined COIT.

The Purported "Organizational Chart":

Sometimes COIT "Management" (the inverted commas are merited) seems to be enthralled by its own nonsense. For instance, some time ago Management issued an Organizational Sheet in which one HEO (then Mr Tottem, since transferred) was shown as responsible for the following:-

- (a) Survey of COIT and the ROITs.
- (b) Control of staff training matters, including induction courses for EOs.
- (c) Revision and amendment of the IT Code.
- (d) Administrative responsibility for the Chairman's Handbook.
- (e) Collation of statistical returns as required.
- (f) Special projects as required from time to time by the Secretary.
- (g) Drafting and revision of Regulations and Instructions.
- (h) Typing Services, Reprographic Services and Office Machinery.

All that was fine: apparently an appreciable workload of responsibilities. Except that it all boiled down to practically nothing! That is why my staff had a good laugh when they saw it.

Let me analyse it:-

(a) Survey of COIT and the ROITs:

These surveys by the COIT Survey Team had finished months before the Organizational Sheet was issued. Moreover, the DE HQ Survey Team had stated in a written report a year earlier that the COIT Survey Team should be disbanded. This had been ignored by Management, which simply liked the idea of a COIT Survey Team even though there was nothing for it to do.

Consequently, this heading was reduced to zero.

(b) Control of Staff Training Matters including Induction Courses for EOs:

There is no staff training in COIT or the ROITs. Staff Training is carried out by the DE Staff Training Section at 97 Tottenham Court Road. All that COIT has to do is to let CAs, COs and EOs attend when their names are received from the STS.

As for induction courses, it is customary for new EOs to spend an hour or so in various sections. About three or four EOs per annum are involved, and this requires only that a list of sections to visit be issued (compiled from a master) The time involved in preparing this for each EO by the HEO responsible is about a half hour.

Consequently, this heading also is reduced virtually to zero.

(c) Revision and amendment of the I.T.Code:

From time to time minor changes to the IT code are made and these are sent to the printing unit for amendments to be printed. Printed amendments are so rare as to amount only to one, or perhaps two, per annum. [At the moment the Code is being revised by an SEO].

Again, it will be seen that the work involved under this heading is negligible.

(d) Administrative responsibility for the Chairman's Handbook:

This is utter rubbish. Amendments to the Chairman's Handbook are compiled by the President (and the last one was in 1979).

I am responsible for getting amendments reproduced and distributed, and the heading under this item for the HEO was utterly false: he had nothing at any time to do with it.

(e) Collation of Statistical Returns as Required:

Weekly, monthly and quarterly statistical returns are compiled by my Section, and have nothing to do with the HEO.

There are annual statistics which require only a few hours annually to do; and since October 1980 a statistic on Pre-Hearing Assessments.

Once again, this heading is virtually meaningless.

(f) Special Projects as required by the Secretary:

Sounds nice, but I know of only one: a second survey of ROITs by the then COIT Survey Team, which was so utterly absurd that when I asked a mature EO whose opinion I respect what she thought of this "project" she replied simply: "Dreadful!". I agreed without restraint.

In any case, this project petered out. Its object had been to make a case to keep all staff then existing, but the implication of cuts was too ^{pursued} remorseful/ for Management to withstand - so the survey packed up and the team was - two years late - disbanded: but only because it was forced upon Management.

Since then, I know of no "special projects", and the fact that the new incumbent of this post (Miss B Stephenson) has said that in a fortnight since she took up the post she has had only one letter to reply to, rather indicates that "special projects" is rather

more a flight of Management's fancy than a realistic and tangible heading.

(g) Drafting and revision of Regulations and Instructions:

Quite simply there are no regulations to be dealt with by COIT except the IT Code.

Legal regulations are prepared by the Lord Chancellor's Department, for promulgation by Parliament. Any suggestions for inclusion will come directly from the President, after discussion at Regional Chairmen's Conferences and with the DE Solicitor's Department.

As for "instructions", the only thing covered by this aspect are the COIT Instruction Circulars which are prepared by me (not the HEO) as necessary (about once every two months). This consists simply of collating submissions from SEOs or the Secretary, and involves a half-hour's work.

In no way was the HEO referred to in the Organizational Sheet involved.

Consequently, this heading was utterly devoid of meaning.

(h) Typing Services, Reprographic Service and Office Machinery:

There is a Superintendent of Typists and a Chief Superintendent of Typists (both in the same building). There are two photocopyists. Paper is ordered by the C.S. of T. If a photocopy machine breaks down a photocopyist simply calls for the repairman.

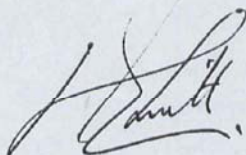
The C.S. of T. looks after typewriters and dictaphones. There is nothing for the HEO to do, and once again this heading is absurd.

Thus the Organizational Sheet is disposed of as a high-sounding, meaningless document. When sent to Establishments it undoubtedly creates a fictitious impression that COIT is "organized" instead of being farcically administered.

Attached as Appendix H is a copy of a memorandum I wrote on 21 May 1981 to R S Allison, Esq., Director of Establishments, Department of Employment. It reveals the intolerable conditions imposed upon me by the ineptitude of Mr A D Burns (SEO) and Mr B C Laughton (HEO).

This is, admittedly, a harsh report: but the exceptional conditions revealed in it warrant it.

Harsh though it may be, the fault does not lie with me and I consider that I am entitled to consideration for the effort I have made in COIT notwithstanding outrageous conditions; and for doing what few - if any - EOs - would have undertaken.



Louis Smith
C.O.I.T.

21 May 1981

Mrs R Brough

Ordering and Distribution of IT Forms

This memorandum is going to propose a radical change in the system of ordering and distributing IT forms for ROITs and OITs. We currently order in the region of 1,300,000 IT forms per annum (not including IT1s).

1. The present system is that I estimate requirements and place orders; supplies for London (Central) and (South) come to me, and those for the other ROITs go direct^{to the OIT} to the OIT at Brighton, from where Mr A Bumstead (CO) distributes to ROITs (which in turn send supplies to their OITs).

2. It is virtually impossible to calculate requirements for many of the forms with any degree of accuracy, because where 2 or 3 copies of a single form are required, some ROITs/OITs use original forms while others make photocopies or carbon copies. In fact, it is possible for separate offices inside the same ROIT/OIT to adopt different practices, either using original forms or making copies of a single original.

3. At one time 8 IT forms were commercially printed, but I have reduced this to 2 (52A and 52R, both of which must necessarily be printed as they are dockets in strips of three, perforated).

(IT1 is special and does not affect this memorandum).

The only reason why forms were printed commercially (via Est C3c and HMSO, which contracts out) was because of quantities required per quarter, as the DE Printing Unit at No. 12 St James's Square cannot accept orders of more than 10,000 at a time, and some forms were required in quantities of 20-30,000.

This snag was simply overcome by sending in several orders with a few days interval between each.

4. Consequently, very considerable financial economies have been effected. No precise figure can be given but the turnover of 1,300,000 p.a. covers 22 forms, and roughly one-~~third~~^{quarter} (ie 6) have ceased to be printed commercially.

The economy can therefore be assessed in a very approximate manner as the difference between the cost of 300,000 commercially printed forms (some on both sides) and 300,000 turned out by the DE Unit. Considering the high cost of commercial printing and the fact that effectively there is no charge for supplies from the DE Unit, it can be said that tens of thousands of £: annually have been saved by the simple change referred to in Para 3.

5. I recommend that a complete change in the system of ordering be made as follows:-

- a) Each ROIT and OIT to order their own requirements.
- b) Orders not to be placed ~~annually~~^{quarterly}, but as and when a ROIT/OIT requires supplies of any particular form.
- c) No order to be for more than 5,000 of one form at a time.
- d) Orders to be placed by submission of an SE 234 attached to the Master of the form. If the Master has been lost, any copy of the form will do.

- e. SE 234s to be sent to Staff and General Services, COIT (addressed to Mr L Smith), and to be made out precisely as per the specimen at the end of this memorandum. (Each SE 234 is to show the number of the form and to bear a request that the number of the form, the quantity, and the code reference must be marked on the exterior of each package sent out by the DE Unit). The code number will consist of the first two ^{or three} letters of each ROIT or OIT.
- f. The forms will be delivered to Staff and General Services by the DE Unit via IDS van. (This is to prevent burdening the Unit with direct deliveries, which is not their role). Staff and General Services will affix a yellow label addressed to the ROIT or OIT concerned.
- g. Masters will be returned by Staff and General Services to ROITs/OITs separately, never with packages of forms.
- h. Orders are to be submitted by ~~each~~ each ROIT or OIT as an entire unit, not from individual Sections *(except for London (Central) and (South) & (North))*
- i. No SE 234 is to be marked URGENT. (The DE Unit delivers usually ^{within} 2 or 3 days after receipt of the SE 234). As a general rule, ROITs/OITs can expect their orders back seven days after sending them to Staff and General Services.
- j. Masters (or specimen forms if the Master has gone astray) are to be attached to the SE 234 by paperclips, not stapled.
- k. No ROIT/OIT is to contact the DE Printing Unit at any time.
- l. IT 52A and 52R will be ordered by Staff and General Services (via Est C3c and HMSO) based on number of registered cases at each ROIT (not OITs)* and ROITs need take no action insofar as these two forms are concerned.
- m. In the event of an SE 234 being received by Staff and General Services just as revision of the IT form involved is being considered, it will be held in abeyance until a new Master is available.
6. London (Central), (South) and (North) are to submit orders in the same manner as other ROITs. However, unlike other ROITs they may submit orders from individual Sections, not as an entire Unit (this is to facilitate distribution when packages arrive).
7. It is anticipated that early in the New Year several Acts will be promulgated and some forms may need revision. Consequently, ROITs/OITs should try to keep stocks fairly low until the possibility of revision is resolved.
8. A number of IT forms are covered by Masters held by ROITs because only small quantities are required. These forms are not affected by this new scheme.
9. Re-design or revision of forms will, of course, be done by COIT as at present.
10. A cut-off date for the new scheme would have to be decided (Hopefully, 1 January 1978) and Brighton would need to distribute remaining stocks.

(i) ADVANTAGES of the proposed change:

- a) Cessation of the Brighton OIT as a forms depot.
- b) Mr Bumstead would be available for other duties.
- c) Orders to the DE Printing Unit would be staggered instead of flooding them with bulk orders once a quarter.
- d) ROITs/OITs would control their own requirements, at their convenience.
- e) Saving of postage on about 1,000,000 forms p.a. sent from London to Brighton (then re-distributed).
- f) ROITs and OITs can type their name & address, if so desired, on the specimen forms submitted for printing

DISADVANTAGES:

None ^{that} ~~can~~ I can think of.

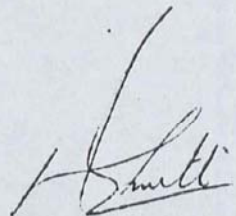
12. CODES

London (Central	LC
" (South)	LS
" (North)	LN

Ashford	AS
Birmingham	BI
Bristol	BR
Bury St Edmunds	BU
Cardiff	CA
Exeter	EX
Leeds	LE
Liverpool	LI
Manchester	MA
Newcastle	NE
Nottingham	NO
Sheffield	SH
Southampton	SO

Bedford	BE
Brighton	BRI
Cambridge	CAM
Derby	DER
Leicester	LEI
Middlesborough	MI
Pudsey	PU
Reading	RE
Shrewsbury	SHR

See specimen SE234 on reverse.



L Smith
Staff and General Services



REPROGRAPHIC SERVICE

Reg'd no.
 Job
 Received
 Typed by
 Checked by
 Rolled by

Work required:-

Latest date / /

Time / /

To MRS WHITTAKER (Senior Supt) (Bldg)

CONSERVE PAPER - Do not ask for more copies than you need.

* Type master copy and * IT2 - LC

Duplicate copies

* Delete if not required

Please supply ~~photo~~ copies as specified below

	Tick
Single spacing	
1 1/2 spacing	
1 side	
Proofs required	
Collate and staple	

No. of pages to be copied	2
No. of each required	4,000

If HEADED paper is to be used please specify below (eg. DE, ESA etc)

Other instructions:-

1) Back & Front.

2) IMPORTANT: Please mark "IT2-LC" on outside of all packages.

Signature [Signature] Grade 50 Date X

Completed work

to be sent to:- M. x. L SMITH

Section COIT Room No. 1

Building 93 Ebury Bridge Rd ext 261

SE 234 For TYPING work only use other side **R**
 SPECIMEN FOR LONDON (CENTRAL)

12

Mr Rosser

Please see minute 11.

It seems a good idea to me but you may have other views.

A. J. Brough

7/12/77

13

Mr Stunter

Please see docs #9 and #8

minute 11 was referred to Mr Rosser for consideration but he said the new system had not been running long enough to give it a fair trial.

CENTRAL OFFICE OF INDUSTRIAL TRIBUNALS

AIDE-MEMOIRE

(File 1/27/1978)

Premises : 93 Ebury Bridge Road

HEATING

-
- Copies to:
- (1) Sir Robert Cox, KCB
Chief Executive
Property Services Agency
2 Marsham Street
London SW1
 - (2) Mr J P Hammond
Area Officer, London Region
Central South Area
Room 3/8 Dover House
170 Westminster Bridge Road
London SE1
 - (3) Mr W A Chisholm
Department of Employment
Est C5c
Caxton House
London SW1
-

- 1) On Monday 10 November 1980 I discovered when I arrived for work at the Central Office of Industrial Tribunals that the heating system had totally broken down. It was reported by me to Est C5c at 8.25 a.m. and at 9 a.m. a PSA officer arrived (thus indicating that both Est C5c and the PSA had wasted no time). At 9.10 a.m. the PSA officer reported it by telephone as "an emergency".
- 2) The heating system eventually came into operation again around 11.30 a.m. on Tuesday 11 November and the premises began to heat up about two hours later.
The trouble was said to be an electrical short circuit due to flooding of the Boiler Room (to a depth of five inches in the area which is at a lower level than that where the boilers are actually located, and about one or two inches in the latter area).
- 3) This failure of the heating system caused severe disruption.

The temperature in most offices and Tribunals was 53° or 54°F and on the Monday the staff were allowed to go home during the morning. Tribunals necessarily had to function and there were reports of complaints from members of the public who were compelled to sit in overcoats.

We were extremely fortunate in that the weather was autumnal: had we been in the throes of a deep winter the Tribunals would have had to close down, for participants cannot be expected to conduct their cases, examine or cross-examine witnesses, or give testimony, in an ice-box.

Normally there are about eleven or twelve Tribunals functioning daily and their abandonment for reasons unconnected with acts or omissions of participants could feasibly result in considerable claims for loss of earnings and expenses. While the Tribunals continued to function on this occasion wisdom requires foresight to effect remedial action to prevent a recurrence of failure of the heating system. This incident was not the first time on which the staff had been sent home due to heating failure.

On the Tuesday a considerable number* of the staff were sent to our offices in Woburn Place, going by taxis and taking their files, etc., with them. Others crowded into the small Members' Room on the first floor, working in their overcoats (the first floor was slightly warmer than elsewhere due to warmth rising from the electrical radiators located above the main entrance doors to heat the Main Hall). The Typing Pool moved down from the 4th floor to the 1st.

- 4) About ten days prior to this incident I had asked Est C5c to provide a reserve of 20 electric heaters in anticipation (mine) that failure of the heating system was certain to occur for some reason or other because for years it had been notoriously troublesome. Even when the system is working the enormous 5th floor area is insufficiently heated in really cold weather (this area contains the Appeals & Decisions Section, a Listing Section, and London (South) Region D & F Sections). Consequently, my request for a reserve of heaters to be allocated to the premises covered not only anticipation of a total or partial breakdown, but also inadequate heating

* Vetting & Registrations Section; ... 3
London (Central) Region A & B Sections.

in certain areas on several floors, and in Tribunals, during really cold weather.

I was told that only two heaters were available and that there was absolutely no chance of getting any more.

- 5) I gathered that there were no cracks in the boilers and that the flooding was due to infiltration of the Thames; and I also gathered that flooding had occurred on previous occasions but to a lower level. This raises several questions:-

(a) Had previous flooding been reported officially?

(b) If so, had any action been taken to prevent a recurrence?

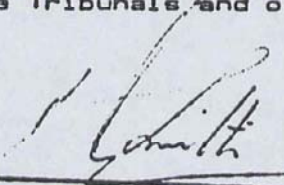
(c) If not, why not?

(d) If action had been taken, why had it not been effective?

The water filtered away via a pit in the far left-hand corner of the Boiler Room, about 3 feet square and 3 feet deep. This pit, into which two thick pipes or pumps go, is permanently waterlogged, and the source of entry of the Thames might be from this pit.

Why is the Thames allowed to flood into the Boiler Room? Why are not possible points of entry sealed? If there is a drain, why is there not a spring-flap permitting water to drain away but preventing it from entering?

- 6) I recommend that immediate action be taken to prevent a recurrence of this flooding.
- 7) I also recommend that 20 heaters be held in reserve on these premises for obvious reasons. I could buy an effective heater (much more effective than those supplied by PSA, which give off virtually no warmth even when at maximum) for £30 retail. I estimate that a bulk purchase of 20 could be made for about £400. The sum is trivial when offset against the value achieved by preventing disruption of a judicial body's work. Apart from potential failures of the system for various reasons, the heaters would be in constant use in the Tribunals and offices during very cold weather.


L. SMITH
PREMISES LIAISON OFFICER

17 NOV 1980

AIDE-MEMOIRE
=====

By Mr Louis Smith, EO Supervisor, Staff & General Services
Section, Central Office of Industrial Tribunals

Copies to: Mr A D Burns, SEO, COIT; Mr B C Loughton, HEO, COIT;
Miss E Pemberton, CO; Mr F Alam, CO

25 OCTOBER 1980

FOREWORD:

The reason for this aide-mémoire is that an element of conflict has occurred in COIT as to who should carry out the functions of dealing with what is commonly referred to as "tracings".

This is really a matter which is so minor that it virtually deserves the term "trivial"; yet as so often happens a principle is involved which has now turned it into a problem of some magnitude.

The term "tracings" means dealing with letters which arrive in the Staff & General Services Section twice daily (along with other mail) and which are in reply to correspondence or IT forms sent out by COIT or the London ROITs; or spontaneously refer to cases which are in progress, and which do not quote a case reference number; or which quote a provincial ROIT case reference. This latter category is small.

The first category is dealt with by screening the dockets held in the Vetting & Registration Section to establish the case number and then pass without delay to the Section involved; and for the second category a check is made to ascertain which ROIT is involved, after which the letter is sent to that ROIT.

1) The grading of the duty involved in tracings:

As the mail is opened it is not necessary to read more than the first line or two to gather that tracing is required. Such letters usually begin with: "In reply to your letter..." or: "I am writing about the application I sent to you..."

The next step is to trace the case number through the dockets.

This function cannot possibly be graded higher than that of a CA. It has always been accepted as being the duty of a CA; and indeed, in my many discussions with COIT HEOs in the past nobody has ever even hinted that it was a CO's duty, the very nature of the functions prohibiting such a contention.

2) Background:

When I arrived in COIT tracings were always sent to the Registration Section to be dealt with. This was logical, for it is in that Section that the dockets from which tracings are done are prepared: by CAs.

Thus, apart from any other factor, the CAs of that Section are more competent to quickly effect a tracing than any other person, their filing of the dockets breeding familiarity with the strict alphabetical sequences, particularly where foreign or outlandish names are involved.

At a certain stage about eighteen months ago the Registration Section developed a backlog of applications requiring registration and dockets, the main reason - I was given to understand - being the absences of CAs. My Section was asked to undertake tracings until such time as the backlog disappeared. It never has.

3) COMPOSITION OF THE RELEVANT SECTIONS:

Vetting & Registration:

(formerly Registration & Decisions):

3 EOs

2 COs

4 CAs

Staff & General Services Section:

1 EO (myself)

2 COs

1 CA

In the past two months there has not been a day when at least one officer was not absent. The only CA has been absent frequently (annual leave, sickness or at the Brighton OIT dealing with old files).

4) The volume of tracings:

On the average these take about an hour to do (Mondays tend to take longer as there is more incoming mail). The officer doing the tracing has to go to the 4th floor from the Ground Floor where the S & GS Section is located (if the tracings were done by the CAs of the Vetting & Registration Section the letters could be sent to them by messenger).

5) The problem:

My only CA (Mr Knight) went on annual leave commencing Wednesday p.m. 22 October 1980, for 6½ working days. The following morning the question of who was to do the tracings cropped up (I myself had done them the previous week, when both Mr Knight and Mr Alam were absent for two days).

Miss Pemberton has always declined to do this work for the simple reason that there are COs and CAs in the Vetting & Registration Section, and that it is illogical for it to be imposed upon her.

In my opinion Miss Pemberton is perfectly justified. No reasonable person, after studying the factors which follow, can possibly refute this.

Mr Alam, the only other CO, has in the past during the absences of the CA done the tracings at my request. This has left only myself and one CO available for an hour or so (in a Section which is the Enquiry Point for telephone calls, which receives visitors calling to make enquiries, and which daily receives consignments of material which need to be signed for).

On Thursday 23 October 1980 matters came to a head and Mr Alam

declined to do it any more. I did not try to persuade him because I had done it too often in the past, and in fact I have always thought (for specific reasons) that I could not validly insist that a CO in my Section do this duty.

When I informed the HEO (Mr Laughton) he asked that Miss Pemberton and Mr Alam put their objections in writing. They did so.

Let me say at this stage that I am totally behind their attitude - for the simple reason that they are indisputably in the right and have substance for their stance: were it otherwise I would not support them.

(I understand that Mr Alam has been told by Mr ^{Laughton} ~~Burns~~ that he faces possible disciplinary action; and if this in fact does take place then I shall have to have disciplinary action taken against me: I shall insist on it).

6) Why has this objection been raised?:

Ironically, at this stage I do not wish to go into details: suffice it to say that the issue involved is not one of workload or grade, but one of principle in that Miss Pemberton and Mr Alam believe they are being taken unfair advantage of - and I agree emphatically.

7) Miss Pemberton and Mr Alam:

The annual ratings of both these officers have been "Good". Neither of them normally stand on ceremony as to grade (any more than I do). They will put labels on envelopes and seal them (a CA's job) in carrying out the many distributions my Section handles; and in Mr Alam's case he has always expressed extreme willingness to do jobs which many COs would balk at (and quite legitimately), such as carting parcels around, packing forms into boxes, stringing them, and getting them out to ROITs by post. He handles (with the occasional help of Mr Knight) the despatch of over 1,000,000 IT forms per annum to ROITs, and the receipt of stationery and forms, and the stacking in the basement.

This is a job which the previous CO absolutely refused to do (To Mr Hunter, SEO, Mrs Brough, HEO, and myself) and was transferred after only five months in the Section.

(I am not interested in stating my own case, but I do feel inclined to say at this stage that I - as an Executive Officer - for two months dealt on my own with all the forms, stationery, etc. I did this as a gesture of good faith simply because the organization had to keep moving and there was nobody else to do it: I was the only male and it had been decided for valid reasons that female staff could not do this job (two who had done it previously had given up owing to backache and other ailments induced by the work)).

In brief, the attitude of Miss Pemberton and Mr Alam in this particular matter should in no way be construed as due to "awkwardness": such a construction would be extremely unjust.

In effect, these two officers have always displayed willingness to get the job done, not bothering about "grade". This is the first time an objection has arisen, and - I repeat - it is justified.

8) The backlog:

The Vetting & Registration Section receives about 150 applications daily for registration. With a full complement of 4 CAs each would therefore have 40 applications to register and docket; with two absent, that would naturally increase to 80. The backlog is 280.

9) Analysis of the problem:

In the hope of assisting Management to treat this matter with objectivity and logic, I am outlining below the factors which might help:-

- (a) Miss Pemberton and Mr Alam are COs and the tracings are a CA function;
- (b) Naturally there is no reference to doing tracings on their Duty Statements (Job Descriptions);
- (c) There are normally 4 CAs in Registrations to do this job; and in the case of absences the COs in that Section should be called upon;
- (d) The reason why there is a virtually permanent backlog should be studied in depth; and appropriate action should be taken to eradicate it;
- (e) Both Miss Pemberton and Mr Alam are willing workers, have never stood on ceremony insofar as "grade" is concerned, and should not be treated with disrespect just because they now stand on a principle - which any unbiased person will find justifiable when all the circumstances are explored (not included in this aide-mémoire). In Mr Alam's case, the nature of his duties (see Para.7) and the absolute willingness with which he has carried them out, entitle him to better treatment than he received on Friday 24 October 1980 (see what follows).

- 10) On the morning of Thursday 22 October I acquainted Mr Laughton with the problem (as previously stated), but it was not until early on Friday afternoon that he discussed it with me. I put forward the factors mentioned in Para. 9 and proposed that the problem should be tackled at its root. I suggested that, if all else failed, consideration might be given to the CAs of Registration that they do paid overtime to reduce the backlog - which after all is only about two days' normal load.

None of this was of any avail. Mr Laughton had made up his mind.

- 11) In the afternoon of Friday Mr Laughton called Mr Alam up to see him. This was unwise and unfair: Mr Alam and Miss Pemberton should have been called together in order to derive from each other's presence the moral support to which they were entitled when facing an HEU on a matter of this nature.

Mr Laughton knew all about this on the Thursday, yet it was not until after Miss Pemberton had gone on an afternoon's flexileave on Friday that Mr Laughton called for Mr Alam. He kept him for 55 minutes - patently an excessive time. He then gave Mr Alam the ultimatum of "two minutes" to decide whether to change his mind. All this notwithstanding the factors I had objectively put to Mr Laughton. It was blunderbuss treatment without grounds or substance.

Mr Alam consulted with his Union representative and within minutes returned to Mr Laughton's office to say that he had not changed his mind.

Mr Burns was then present. Mr Alam was retained for a further 20 minutes, confronted by the SEO and the HEO.

I gather that Mr Alam was threatened with disciplinary action - notwithstanding, once again, the lack of grounds and substance.

- 12) [It is of interest, as a technicality, that when I first discussed this vexing problem of tracings with Mr Laughton - about 10 days prior to the incident under discussion, when Mr Knight was absent - he remarked that one of the things which had struck him during his induction was that tracings were a Registration Section job. This shows how obviously that Section's job it is).
- 13) One of my duties is to protect my staff from unfair treatment, and I wish to express my deep concern that Mr Alam was subjected to 55 minutes with the HEO and 20 minutes with the SEO and the HEO - and that disciplinary action was evoked - without my presence or that of a Union representative to provide him with the moral support to which he was entitled as a young CO facing two senior officers. At least Miss Pemberton should have been called up with Mr Alam so that they could derive support from each other (any excuse that Miss Pemberton was not available possesses no validity because the matter could have been dealt with on the Thursday or the Friday morning instead of being left until after Miss Pemberton's departure).
- 14) As I have previously stated, the issue is not essentially one of workload or grade. Nevertheless, as so much stress has been placed on the backlog of the Registration Section, it may be of interest to know something about the workload of my Section.
- There are two jobs of some magnitude awaiting attention. One is a consignment of about 30 boxes containing publications which have been returned from binding; these boxes require to be opened, the publications sorted out, then repacked for despatch to 14 ROITs. It is a longer job than this terse sentence indicates.
- The other job is to unpack an important consignment of large parcels containing all the diaries, etc., for 1981. These then have to be sorted out and despatched to the ROITs - again requiring packing.
- All this is the work of a CA. But my only CA is daily bustling around virtually non-stop (coming on duty when he is not on leave at 8 a.m. and remaining until 5 p.m. (although recently out of consideration for him I have started asking him to leave occasionally at 3.30 or 4)). Apart from that, for the whole of the coming week he is on annual leave and we are thus deprived of his valuable services.
- I referred earlier to the annual processing by my Section of approximately 1,000,000 IT forms, mostly dealt with by Mr Alam. I now elaborate to a small degree on this processing.
- The forms arrive in large boxes from the OE Printing Unit. These boxes can weigh 20 lbs or over. They are taken to the basement by either my CA or the Senior Messenger (on a cart) after which they

* by Mr Alam

are then unpacked and placed on shelves when space becomes available.* When Mr Alam receives an order for IT forms from a ROIT he packs them into boxes, labels them, and gets them up to the Ground Floor by some means (the Senior Messenger when he is available) for collection by postal vans. All this - I repeat - to the tune of a million a year.

None of this work (popularly (or unpopularly!) referred to as "humping") can be said to strictly conform to the duties expected of a "Clerical Officer". Consequently, when Mr Alam's predecessor refused categorically to do these duties, there was never at any stage (by Mr Hunter) a reference - outright or oblique - of "disciplinary action" (I was at the conference at which the categoric refusal was made). Arrangements were simply made to transfer the CO.

On the other hand, Mr Alam has done this work willingly, never objecting, and has even taken consignments from the Main Hall to the basement when no Senior Messenger or CA was available: simply to get the job done.

Thus we have the ironical situation whereby a CO who refused adamantly to do this work was never treated objectionably, while a CO who has done it for nigh on two years is treated objectionably!

This follows the traditional pattern of certain rules established by the human race. There is no need to dwell on this theme in this memorandum, but it can be illustrated by an admirable quotation from the XVIIth Century writings of Blaise Pascal:-

"Étrange zèle qui condamne ceux qui exposent les fautes publiques, et non ceux qui les commettent."

("Strange zeal which condemns those who expose public faults, and not those who commit them")

The gifted Blaise Pascal, writing of the incident under study, may well have written:-

"Étrange, que M Alam, qui a fait son boulot, se trouve menacé de l'action disciplinaire, tandis que son prédécesseur, qui refusa à faire le même boulot, ne fût pas soumis à un tel traitement."

("Strange, that Mr Alam, who has done his job, finds himself threatened with disciplinary action, while his predecessor, who refused to do the same job, was not subjected to such treatment")

*

Some ten days ago a consignment of 167 parcels weighing 16½ lbs each (a total of 2,765 lbs) was received for my Section. This followed two earlier deliveries of a total of 133 parcels. The drivers of the vans did not have mates and had instructions from their Unions to bring the parcels to the ends of their vans only: not to unload them.

The first two deliveries were off-loaded by the willing Mr Knight, CA; the last consignment was mostly offloaded by him, helped by some messengers (since then, the messengers have received instructions not to off-load vans).

As time goes on, these parcels will have to be sent out to ROITs.

This illustrates the considerable problems which have always faced my Section in handling merchandise which arrives almost daily. There are no porter-messengers, and until a week ago it was not accepted as a messenger's job to remove parcels from the Main Hall to the basement or to my Section. A week ago it was finally decided that messengers had to do it. Prior to that the Senior Messenger had disposed of material when the loads were not too big, and Mr Knight on other occasions: sometimes by Mr Alam (who has to deal with everything once it gets down to the basement apart from the occasional intermediate handling out of the Hall).

This cooperation and good faith by Mr Alam and Mr Knight in doing willingly jobs which cannot be attributed to the valid duties of a Clerical Officer or a Clerical Assistant has ensured the smooth functioning of the system. Their concern has been to keep things moving in CUIT's (and the ROITs') interest, without ever standing on ceremony as to whether it is their job or somebody else's, or whether it is within or outside the scope of their grades.

Consequently, it is clear that the decision of Mr Alam not to do tracings is - far from being obstreperous or uncooperative - based on a principle. I categorically informed Mr Laughton of this and he should have been aware of the difficulty in attempting to deviate a person from a principle, as well as the potential embarrassment to Management in taking up a position ultimately untenable because it lacks grounds or substance; or conversely, that the principle is backed by the five factors outlined in Para. 9 herein.

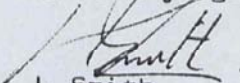
(I had not had a chance to expound those factors to Mr Burns as I have never discussed them with him, nor has he dealt with me on this matter: that has been done via Mr Laughton).

Further attention should have been given to the vital psychological fact that there was dual objection to tracings - Miss Pemberton as well as Mr Alam - and that these officers are my only COs and two-thirds of my Section; thus severe disruption of the Section was a potentiality to which the fullest consideration needed to be given.

Personally I find it incomprehensible that the experience, knowledge and awareness of the subtleties which were behind my discussion of this matter were totally discounted, leading to the unsophisticated approach to the problem.

Nor was any consideration given to the fact that the CPISA would certainly enter the scene on behalf of its two members; and that very often this sort of thing escalates to an astonishing degree and could well lead - although not necessarily so - to a Union ruling that COs are not to handle unpacking and packing, etc. ①

In brief, the Section was running smoothly, not a day passing without my eliminating an obstacle of some description, and now it has been thrown into demoralization over a surprisingly trivial matter that could have been overcome in a moment by shrewd judgement and the acceptance of inescapable hard facts.


L. Smith

Mr J Gray

Processing of By Hand Envelopes

I have the following comments to make on your minute dated 24 July 1980 relating to the above subject.

1. As the officer most concerned with the practical (as distinct from theoretical) aspect of this matter, I find it surprising that I was not asked to attend the meeting at which decisions were made, and even more surprising that the matter was not even referred to me.

As a result of this lapse the instructions in the minute do not tackle the problem in a realistic and practical manner, as I will attempt to convey:

- (i) Many By Hands are addressed to the Assistant Secretaries, London (Central) or (South) ROITs, and are of no concern to Staff & General Services Section.

Such envelopes are not received or opened by S & GSS and the current instruction is that they are to be handed by the Security Guard to the Senior Messenger.

The new instruction requires these to be collected from the Security Guard by S & GSS, which is patently a very roundabout and time-wasting procedure for getting them to the Senior Messenger (whose office is next door to the Front Hall, where the Security Guards are).

- (ii) The distribution list should have been more extensive to ensure that By Hand letters passed to a Listing Section are not forwarded to the Section concerned in a transit envelope.

- (iii) Similarly, the distribution list should have included ROIT Section Supervisors, to ensure that a Section does not forward a By Hand to the Tribunal Clerk in a transit envelope.

- (iv) The last sentence of the first paragraph of (2) seems unrealistic. After a Security Officer has advised a ROIT that a By Hand is awaiting collection, how can the onus for "ensuring that the urgent correspondence leaves the Front Hall quickly" fall upon a Security Officer? Obviously, the responsibility falls upon the ROIT after being advised. (In any case, this procedure is incorrect: see what follows).

- (v) Since writing the above I have received a copy of Mr D Kensdale's minute to Security Officers, para 4 of which requires that S & GSS staff will sign for letters handed over by Security Guards. In the case of letters addressed to the Assistant Secretaries of London (Central) and (South) ROITs, the instruction referred to amplifies the objection raised by me in para 1(i) herein.

- (vi) Many By Hands are delivered during the lunch period, when there is only one member of the staff of S & GSS on duty, often engaged in answering telephone enquiries (which tend to increase during the lunch period). Clearly it is bad administration to require that the office be vacated while officers go to collect letters addressed to the ROITs from the Security Guards simply to pass to the Senior Messenger, who is next door to the Security Guards.

(vii) Many By Hands are in fact simple IT1s without any time-factor involved. There is absolutely no reason why such IT1s cannot be processed through the normal messenger service (which will take from 15 minutes to about an hour at the most).

To call down a member of the Vetting Section staff to collect such items, or for them to be delivered by a member of my staff (the Vetting Section being on the 4th floor) would be absurd and a wastage of man-hours.

(viii) The ROIT Sections are on the 4th and 5th floors (and lift service is very slow, often with appreciable waiting times). Why, then, should ROITs send clerical staff down to the Security Guards to collect By Hands when they should clearly be given to the Senior Messenger?

2 I feel that perspective has been lost in the appreciation of this matter. My Section processes 60,000 incoming letters and IT1s annually, and 750 By Hands. In the three years I have been here I do not recall a single letter going astray. Any By Hand for COIT which is marked URGENT is immediately taken by a member of my staff (sometimes by me when staff is reduced) to the Section concerned. The same applies to IT1s which have a time-factor involved.

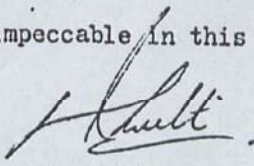
I have heard of only one instance of an item reaching its final destination late, and that was a recent exceptional case of a hearing which was in progress, unknown to my Section. An officer placed it in a transit envelope because he was hurrying away on half day flexi-leave: he has been strongly admonished.

To revise a system is not warranted because of an isolated instance (or even several), for they will always occur in the handling of 60,000 letters and 750 By Hands annually (this is called a "tolerance" and there is absolutely nothing any human being can do about it).

3 If there is any instance of retarded processing the reason should be traced and the officer responsible admonished. There should be no automatic assumption that Staff & General Services Section is responsible, for the reason that after leaving this Section letters sometimes pass through several hands, any of which might be responsible for the delay; and in cases of letters addressed to the Assistant Secretaries of the ROITs S & CSS does not even receive them.

4 I attach a new suggested instruction relating to the processing of By Hands, which is the only commonsensical and practical way of dealing with them (and which in fact is in operation apart from the signing of a Security Guards' register).

5 The Security Guards have always been impeccable in this processing: they have never been responsible for a delay.



L SMITH
Staff & General Services
Section

30 July 1980

cc Mr Hunter
Mr Burns
Mr Bowen
Mr Morrison
Mr Kensdale (Est C5e)

INSTRUCTIONS FOR THE PROCESSING OF

LETTERS RECEIVED BY HAND

1 Any By Hand addressed to the Assistant Secretary, London (Central) ROIT, or London (South) ROIT, will be handed by the Security Guard to the Senior Messenger (or his replacement) without delay. The Senior Messenger will ensure that it is delivered to the ROIT immediately.

2 When a Security Guard receives a By Hand addressed to the Secretary, COIT, Staff & General Services Section will be advised immediately (Extensions 210 and 263).

An officer of S & GSS will collect the By Hand without delay and after processing (stamping) will personally hand to the Senior Messenger. The Senior Messenger will be responsible for immediate delivery to the Section concerned (S & GSS will advise him of the Section).

3 In the case of items under (1) above, the Senior Messenger will sign the Security Guard's register; in the case of those covered by (2) above, the S & GSS officer will sign.

4 ITIs received By Hand with no time-factor involved may be placed in transit envelopes for Vetting Section. Those with a time-factor involved will be taken by the officer concerned to the Senior Messenger for immediate delivery to Vetting Section.

5 ROIT Section supervisors will ensure that any By Hand relating to a Tribunal which is sitting or about to sit is handed without delay to the appropriate Tribunal Clerk.

Mr Laughton

Appendix E

ICRs

1 Bristol ROIT telephoned me on 4 February 1981 to ask if they should return the 1980 loose monthly issues of ICRs now that the 1980 bound volumes had been received. I drew attention to previous advices to ROITs that loose issues could be retained. I was then asked what should be done with them, as they were not really required in view of the bound volumes.

2 This prompts me to evoke the matter of bound volumes automatically being supplied by the publisher, which I believe was criticized by several Chairmen who considered that the retention by them of the 12 annual loose issues in addition to the bound volume was un-economical.

3 Apparently when the contract was negotiated in 1979 (to commence on 1 January 1980, when ICRs replaced ITRs) it covered supply of automatic bound volumes every year. When the criticisms arose, Mr Fisher asked me to contact the Secretary of the Incorporated Council of Law Reporting to tentatively explore the possibility of the contract being amended to eliminate the bound volumes (the idea being that if this would be done we would adopt the same system of binding as had applied to ITRs, i.e. calling in half of each ROIT's supply (including their Chairmen's) on two occasions each year for binding).

4 I discussed this by telephone with Mr Pettitt, the Secretary of the ICLR, who said that the contract was "standard" and any request to amend the terms and conditions would need to be placed before the Council for consideration. He said that even if the Council were to agree to eliminate bound volumes, any saving would not be proportionate to the volume of the bound volume (owing to printing costs per copy diminishing as the quantities run-off increase). Personally, I felt that Mr Pettitt was saying that more as a deterrent than a realistic business comment. Obviously, if we buy 2,770 monthly issues every year they must necessarily cost a great deal less than 5,540 issues, half of which are expensively bound. I passed the information to Mr Fisher and I believe nothing further was done.

5 Probably the existence of a contract including automatic annual bound copies, coupled with natural reluctance to approach the Council of the ICLR for amendment of what I was told was a standard contract, and the possibility that in any case the Council might not agree to a change, were factors influencing the lack of follow-up.

6 However, para.5 is no more than a presumption on my part, Mr Fisher not having commented on the matter after I passed the information to him; and I am consequently setting-down the issue in detail in order that it may be reviewed if considered necessary, as it seems clear that an uneconomical situation pertains.

7 For what it is worth, Mr Pettitt's reference to a standard contract made little impression on me. It stands to reason that if a customer is prepared to buy 2,770 copies annually but is not prepared to take 5,540, half of them bound, because he would save a considerable amount of money by arranging his own binding, and does not want ^{5,000} unnecessary surplus copies floating around (or to be wasted), the ICLR would not refuse to accept the order. It may well be that there is a standard contract for customers who can make use of the loose copies after receipt of the bound volumes, but customers who refuse to accept the standard contract must surely be able to have a contract which excludes the bound volumes, provided such customers are adamant.

8 Referring to the diminishing unit costs of printing as quantity increases, Mr Pettitt's statement in this respect (para.4 herein) is not of such substance as to influence the subject. In effect, the cost of a run-off of 5,540 copies would be about 80% more than a run-off of 2,770. The cost of binding by the publisher would be cancelled out by the cost of COIT arranging independent binding, so the net extra cost to COIT in ordering what in effect was double the quantity really necessary was about 80% more per annum (recurring) than would have been incurred by ordering only 2,770 copies per annum. Obviously it is to the ICLR's financial advantage to press for the standard contract; but it is also patently to their financial advantage not to refuse to supply a required number of copies without an obligation to take bound volumes - provided that the customer is adamant.

13 FEB 1981

L Smith.

James

(1)

Who "bags up" classified material in this building?

Is there a schedule of the activities (Jan 2) ?

B 7/3/81

(2)

Mr J Smith

This refers to HQ Circ (9/1981) (still in circulation) Pl. let me know the answer to above - how about ROITS?

As far as I can remember we discussed this subject some time ago about ^{changes in} collection arrangements & we found our Confidential Waste was negligible.

Pl. let me have your comment in due course.

J. Smith

8/1/81

↓

Mr. Langton 13/5/51. (3)

- 1) In this building Mr Ansell bags up c.w.
- 2) All staff will have seen the circular (19/5/51) and should know not to throw matter other than paper in the bags.
- 3) I did not deal with the question of collection points but I recall that you told me that most of the ROITs handed in their c.w. to other units in the same building for disposal, and therefore the question of the slight increase in fee is of little importance to us.
- 4) Mr Ansell has seen the circular but of course he cannot know if any forbidden article is contained in a sack as it would be buried under paper: all he does is to tie the necks up.

Mr Burns.

(4)

12/5/51 / Langton

To see (3) above - do you feel any further action is necessary to draw attention to the circular in view of our limited amount of c.w.?

W. C. Langton 13/5/51.

16. laughter.

(5)

No. — We can not afford the time for an unnecessary procastination.

I originally asked a question & ~~presumably~~ thought it was answered by Mr Smith at para 1. However para 4 retracts the answer.

I do not ~~sent~~ want a discourse on the technical definition of ^{what} ~~the~~ "begs up" means. To my simple mind I intended the meaning as "she puts the waste-paper (confidential) in the sack" not "she ties up the sack". Indeed it never occurred to me ~~that~~ there was a demarcation line. Let then I admit that I am simple.

NFA in respect of ROIT's — the Q. only asked for this building.

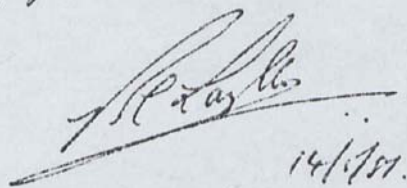
J 13/5

(6)

Mr. L. Smith

See Mr. Burns comment overlap in (5)
Perhaps I did not make it clear in my minute (2) but
I was only concerned as to the arrangement for putting
our limited CW into sacks i.e. COIT & the 2 border Rets in
this building - presumably COIT sections & Rets are provided
with CW sacks & when full they are passed to

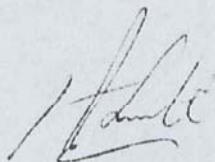
(*) Mr. Ariell who simply removes them? am I right?
We restricted the CW in the building in very limited &
the responsibility for what is put in the sacks must rest with
the person concerned with identifying CW & disposing of it.


14/5/81

(7)

Mr. Laughton
Yes

*

14.5.81 

NOTES:

This pathetic minute can be called a "typical" inter-office
minute, emanating from Mr. Burns, the COIT SEO. It indicates
the inability to think clearly, and wastage of time. There
was no need for anything to be written in the first place, as
all staff had seen the DE circular.

LS

Mr Laughton

IT50s (Case-file covers): Distribution

1) Mr Alan has suggested that consideration be given to IT50s being despatched from the manufacturers directly to ROITs instead of to COIT for despatch as required. The annual quantity would be about 35,000.

Consideration had previously been given to this matter by me but discounted because of the extra cost which would be incurred by the supplier having to deliver to 14 locations throughout the country, or alternately rail freight charges.

Of course the postage costs from COIT to the ROITs would offset to some extent extra charges imposed by the supplier, but an important point in this respect is that the supplier's extra charges would be against the Est G3c printing vote, while postage costs (franked yellow labels) would not be imposed against Est G3c's printing expenditure.

Another factor, although not a decisive one, was that most ROITs seemed to lack storage space (as often indicated by their requests not to sent too many IT forms under the old system, as they had nowhere to store them)

2) However, the new postal system which will come into operation on 1 April 1982, by which parcels will have to be franked according to weight, will very considerably increase the overall costs of distributing about one ton of case-file covers to ROITs (excluding London ROITs).

This factor prompts me to review the situation, as suggested by Mr Alan; and if you approve I will contact Mr F Ivory, Est G3c Printing Section, to ascertain his views concerning the supplier arranging deliveries to 14 widespread locations. If this is feasible, any objections ROITs may have relating to storage space would need to be overcome, the matter of economics in postage being dominant. (There is no doubt that when the new postal system comes into operation the postal charges will be enormously superior to the supplier's extra charge for deliveries to individual ROITs)

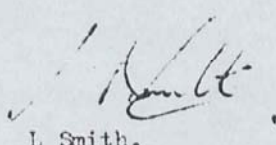
3) Please note that it is not practicable to ease any storage problems at ROITs by ordering less than a year's supply at a time. For one thing, the manufacturing costs would increase enormously by two half-yearly run-offs instead of one; and secondly, costs would obviously be increased considerably by two deliveries per annum to 14 widespread locations instead of one.

4) IT50s are currently ordered by me in bulk and supplied to ROITs by post. The quantity is about 40,000 (they are sent to all respondents and also handed to people who call at ROITs to enquire about submitting applications).

When the new postal system comes into operation the cost of posting these boxes to ROITs will increase enormously. I therefore suggest that ROIT order their own quantities from Watford (despatched by HES0) for direct delivery.

In this respect, unlike the question of the IT50s, it would not be necessary to approach Watford: the ROITs would simply order without formality, as and when required.

5) I should appreciate your views on each of the two matters evoked.



L. Smith.

- 9 FEB 1981



Your reference:

Our reference:

CENTRAL OFFICE OF
THE INDUSTRIAL TRIBUNALS
(ENGLAND AND WALES)
93 Ebury Bridge Road, LONDON S.W.1
Telephone: 01-730 9161-7

21 May 1981

R S Allison, Esq
Director of Establishments
Department of Employment
Caxton House
London S W 1

CONCERNING MR P BLURT (CO), COIT:

1. The above-named individual was posted from Lewisham UBO to the Staff & General Services Section of COIT, which I supervise, on 6 April 1981. Prior to this he had received a written warning, and had failed his probationary period following promotion from CA to CO: an extension has been granted by Establishments until October.

The copy of the attached memorandum which I handed to him today is self-explanatory, and reveals - among other things - that the written warning has left him indifferent, and that there was no justification for any extension to his probationary period following promotion.

2. My Section is - among many other things - responsible for the ordering, reception, storage and ultimate despatch to ROITs of about a million IT forms, case-file covers and booklets on IT procedure, per annum. I have one CO and one CA to do this, and the CA does a multitude of small jobs which leaves him little time to deal with IT forms, etc. Consequently, it is absolutely imperative that my CO be reliable, conscientious and a good worker.

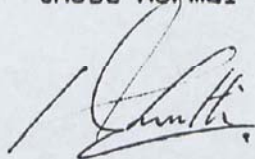
Apart from the data on the attached memorandum, it was patently clear to me even on the first day he worked in my presence that he is totally unsuitable for my Section.

3. He was accepted by Mr A D Burns (SEO) and Mr B C Laughton (HED)(they did not permit me to see him), and as they had full knowledge of his past history, and as they were aware of the compelling need for an efficient and reliable CO in my Section, they should have refused to accept this throw-out.

This obviously was of no concern to them, and thus they imposed him upon me, creating the present unpleasant circumstances. This was aggravated by the very special circumstances recounted in Para.8 and Appendix C of my report on certain matters to Sir Derek Rayner, a copy of which is enclosed herewith.

4. It is not my intention to have my instructions flaunted by this CO, nor to revert to the outrageous, financially abusive conditions related in Para. 2 of my report; and in consequence I am formally informing you that I refuse categorically and irrevocably to supervise this person.

5. The responsibility for this lamentable state of affairs rests squarely with Mr Burns and Mr Laughton.
6. By reason of the special circumstances now prevailing due to my report, and as it would be clearly absurd to adopt the normal channel of communication and write this to Mr Laughton and suffer subsequent frustration, I am ignoring those normal channels.



Louis Smith
Staff & General Services Section

cc: Mrs E E Craske
Mr A D Burns
Mr B C Laughton

Att: 1

STAFF IN CONFIDENCE

21 MAY 1981

Mr P Burt
Staff and General Services Section

1. On 19 May 1981 I informed you categorically that your starting time of duty was 8.30 am, explaining why this was necessary.
2. On 20 May 1981 you did not report for duty. You telephoned about 1 pm to say that you had overslept to 11 am. You made no attempt to report for duty in the afternoon.
3. On 21 May 1981 you arrived at 9.30 am.
4. From the foregoing three clear factors emerge:-
 - (a) That you are unreliable.
 - (b) That you ignore instructions.
 - and (c) That you obviously intend carrying on in my Section in the manner in which you have been allowed to carry on in your previous post, and which resulted in 92 days uncertified sick leave in 5 years.
5. In addition to the points mentioned above, I am listing below your record since you joined this Section:-
 - (a) Joined 6 April 1981
 - (b) Uncertificated sick leave 9 April 1981.
 - (c) Away sick (broken little finger of right hand) from 16 April 1981 to 15 May 1981 (inclusive) 4 weeks).
 - (d) Although your medical certificate - under (c) above ended on ^{14th} May 1981, you stayed away without authority on Friday 15 May ~~and Thursday 14 May~~.

I spoke to you on the morning of Friday 15 May to ask why you had not sent in a certificate (the previous one having ended on Friday 8 May) and also why you had not returned the A/cs 250 form which had been sent with your salary cheque the previous week, and you informed me that you would be back on duty on the following Monday; you did not mention that your certificate had actually ended on the ^{Thursday} (14th May); in other words, you concealed it.

6. This Section orders, receives, stores and despatches to ROITs about a million forms, case-file covers and booklets on IT procedure to ROITs annually, and you are the only CO in the Section to do this.

7. This is a formal instruction, that you are to report for duty at 8.30 am every morning.

[Handwritten signature]
L SMITH
180/14/15



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
TELEPHONE: 01-211 3000

211-6402

Cost
Mach
WM
26/5

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1P 3AJ

22 May 1981

Dear Sir

REPAYMENT FOR PSA SERVICES

In your letter of 11 May to Michael Heseltine you urged colleagues' acceptance of the PSA repayment proposals, subject to careful study of the detailed arrangements before final implementation.

I still hold to the reservations expressed in my letter to Michael Heseltine of 6 May and I remain particularly concerned about the staffing implications of these proposals and about the ability of my over-stretched small Department to keep taking on one new task after another. However, I do not wish to stand out unreasonably against the proposals and, if they are acceptable to all other colleagues, I am willing to go along with them in principle. But, if the scheme is to go ahead, it will be important to get the detailed arrangements right and to recognise that extra staff might have to be provided to get the system working effectively. I am assuming that final decisions on implementation will wait upon the outcome of the proposed trial run in 1982-83.

I am copying this letter to Michael Heseltine and to the other recipients of your letter of 11 May.

Yours
Daw

D A R HOWELL

CONFIDENTIAL file



BK

ds

10 DOWNING STREET

From the Private Secretary

21 May 1981

X ref

Dear John

Paper on Control of Expenditure : Departmental Responsibilities

The Prime Minister was grateful for the Chancellor of the Exchequer's minute of 14 May and for the draft paper and memorandum. Subject to the points made below, she is content that he and the Lord President should circulate them to Cabinet with a view to the endorsement of the memorandum.

The Prime Minister is concerned lest the memorandum may give unnecessary hostages to fortune. In particular, she feels that paragraphs 11 and 20 are not firm enough in describing the role of the central departments. She feels it would be better to delete the references to the "appropriateness" and "practicability" of central prescription from these paragraphs. The point could then be made in paragraph 10 that the central departments will of course consult other departments to ensure that the requirements they propose are appropriate to the functions of those departments and the needs of the public interest.

Secondly, the Prime Minister thinks that Cabinet colleagues may well ask whether the central departments have sufficient staff of the right experience and training to promote and monitor the best possible control systems in departments. She thinks it essential that the relevant parts of the centre should be staffed in such a way as to make the proposed role both credible and effective. The Prime Minister acknowledges that it is unlikely that this can be achieved overnight, but she would like to know what plans are in hand to bring it about. She would be grateful for early advice on this, including Sir Derek Rayner's views.

I am copying this letter to Jim Buckley (Lord President's Office), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

John Wiggins

William Rickett

John Wiggins, Esq.,
HM Treasury.

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PART 8 ends:-

20. 5. 81

PART 9 begins:-

21. 5. 81
