

PREM 19/779

PART 12 ends:-

DES - ~~T.F. [unclear]~~

2-11-82

PART 13 begins:-

E. DuCann to Rayner 2/11/82



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

T Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

2 November 1982

Dear Jim,

PUBLICATION AND FOLLOW-UP OF HMI REPORTS

Thank you for your letter of 27 October conveying the Prime Minister's comments on the proposed answer on the publication and follow-up of HMI Reports.

On the timing of the announcement you will by now have seen Sir Keith Joseph's letter of 27 October to Sir Derek Rayner. I understand that there is unlikely to be any difficulty about ensuring that conclusions on the scrutiny for England and Wales, on the one hand, and for Scotland on the other can be announced together; the work is proceeding with that objective in mind.

In general my Secretary of State agrees with the drafting changes proposed to the text. He wonders however whether by limiting systematic arrangements for follow-up to implementation, the scope of the arrangements would not be unduly and unnecessarily narrowed. The aim of these arrangements is not only to secure effective action in relation to the institutions inspected but also to encourage LEAs to develop procedures so that HMI's findings can be applied to other institutions within the area. We need to ensure that LEAs draw the general as well as the particular lessons from reports on institutions. I attach a revised text of the proposed answer which incorporates the Prime Minister's comments on the first paragraph and further clarifies the second paragraph of the answer.

As to procedures, Sir Keith Joseph thinks that the right course is to provide that copies of published reports can be obtained both through the LEA and from the Department. For some parents it may be more inconvenient to apply to Whitehall than to their local authority. And the reports may in practice be taken more seriously locally if the LEA is under an obligation itself to make copies available to the general public. To do it all from Whitehall would

be expensive in manpower but it would be right to make it clear to parents that they can always obtain copies from the issuing authority in case of local obstruction. We will make this clear in the text.

I am copying this letter to Adam Peat (Welsh Office), John Lyon (NIO), Muir Russell (Scottish Office), David Heyhoe (Lord President's Office) and Elizabeth Thoms (Rayner Unit).

Yours ever,

Inogen Wilde

MRS I WILDE
Private Secretary

REVISED PQ AND ANSWER

QUESTION: To ask the Secretary of State for Education and Science, whether he will now make public the reports made to him by Her Majesty's Inspectorate on their formal inspections of educational institutions; what arrangements he proposes for following up such reports; and if he will make a statement.

ANSWER: The current practice of issuing such reports in confidence to the maintaining authority or the proprietor, the governors, and the head or principal of the institutions concerned, deprives parents and others of information which is of interest and concern to them. Knowledge of the strengths and weaknesses revealed in the Inspectorate's independent assessments is valuable to those institutions who are not for the time being the subject of such assessments, to the local authorities who maintain them, and to those working in the education system as teachers, governors, teacher trainers, and in other capacities, as a means of spreading good practice and fresh thinking and identifying and correcting short-comings. Citizens, including parents, those who pay for the inspected institutions through rates and taxes, and others who use them should also have the right to see these assessments. My rt hon Friend the Secretary of State for Wales and I have therefore decided to give public access to all reports on formal inspections which issue from January 1983 onwards.

We have also decided to introduce more systematic arrangements for ensuring follow-up action. These will apply in the first instance to reports of formal inspections of maintained schools and FE institutions providing full-time education for students aged 16-18 inclusive.

The procedures for giving effect to these decisions must take account of the formal position of those responsible for, and working in, the institutions reported on and of the fact that the reports are issued to specified persons. To this end we are consulting the local authority and teacher associations and other interested bodies about the procedural details.



The following text is extremely faint and illegible due to the quality of the scan. It appears to be a multi-paragraph document discussing educational policy and expenditure. The text is organized into several distinct sections, likely separated by paragraph breaks or sub-headings, though the specific content cannot be discerned.

file

Education da



10 DOWNING STREET

From the Private Secretary

28 October 1982

Dear Alan,

Publication and Follow Up of HMI Reports

Thank you for your letter of 26 October.

This follows up my phone call of earlier today. You will have seen from my letter to Imogen Wilde that the Prime Minister wants the conclusions on the scrutiny reports to be announced as a package. She is also concerned that any statements (formal or informal) which have already been made about particular issues arising from the report should not be allowed to divert attention from, or prejudice progress on, the rest.

That said, the Prime Minister agrees that withdrawing the Question at this late stage might create more problems than it would dispel. But Mrs. Thatcher would be grateful if all further action and announcements (including that on which DES consulted me last week) could be held back until she has seen the policy statements.

I am copying this letter to Imogen Wilde (DES), Adam Peat (Welsh Office), John Lyon (Northern Ireland Office), David Heyhoe (Lord President's Office) and to Elizabeth Thoms (Rayner Unit).

Yours ever,

Tim Flesher

Timothy Flesher

Alan McPherson, Esq.,
Scottish Office.

da

Mr FLESHER



A

PUBLICATION AND FOLLOW UP OF THE HMI REPORTS: SCOTTISH OFFICE
QUESTION

1. I think it is a question of how tough the Prime Minister wants to be. The Education Departments are not playing the game by the rules and being obliged to withdraw an inspired Question would be a salutary lesson. The PM would be within her rights on insisting on no action until she has seen the draft policy statement and this is what I believe she is entitled to ask for.

2. Equally, I do not believe that withdrawing the Question would cause such trouble as Mr McPherson's letter suggests; even in Scotland worse things happen at sea.

3. However, this is also a matter of relations between the PM and her Ministerial colleagues. The SO and DES are in the wrong, but the PM might wish to avoid appearing vindictive. And the Scots are now consulting the local authorities on the procedures for consultation.

4. Mr Rickett and you will wish to take a view on these two points. My counsel would be to stop the Question if you can.

5. I attach a draft letter, which caters for both eventualities.

C PRIESTLEY
27 October 1982

Gov. MACH : RAYNER PT 12.



CONFIDENTIAL

Alan McPherson Esq
Scottish Office

PUBLICATION AND FOLLOW UP OF HMI REPORTS

Thank you for your letter of 26 October.

1. This follows up my 'phone call of earlier today/yesterday. You will have seen from my letter to Imogen Wilde that the Prime Minister wants the conclusions on the scrutiny reports to be announced as a package. She is also concerned that any statements (formal or informal) which have already been made about particular issues arising from the report should not be allowed to divert attention from, or prejudice progress on, the rest. [~~Accordingly, Mrs Thatcher would like the Question held over not least because it is clear that a short deferment would not affect the issue.~~]

2. ~~Q~~That said, the Prime Minister agrees that withdrawing the Question at this late stage might create more problems than it would dispel ~~it~~. But Mrs Thatcher would be grateful if all ~~the~~ further action and announcements (including that on which DES consulted me last week) could be held back until she has seen the policy statements.

3. I am copying this letter to Imogen Wilde (DES), Adam Peat (Welsh Office), John Lyon (Northern Ireland Office), David Heyhoe (Lord President's Office) and to Elizabeth Thoms (Rayner unit).

T. FLESHER



B

Education

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Sir Derek Rayner
Management and Personnel Office
Whitehall
London SW1A 2AZ

27 October 1982

DF

27/10/82

Dear Derek,

I understand that you would prefer me not to announce the decisions to publish HMI reports of formal inspections and to have brand new arrangements for follow-up action taken by my Department or myself (not HMI), until I publish the policy document following the Scrutiny.

I cannot see that it would reduce the impact of the policy document, if that were to refer to the new arrangements for publication and follow-up as something already announced. But I am very reluctant to hold up the new arrangements which we all agree are important for the central aim of higher standards. We must reckon on at least another month before the policy document can be issued: I must give you and subsequently the Prime Minister time to consider it, and I must then, in accordance with the agreed drill, give the Trade Union Side here a little time to comment on it.

The Select Committee on Education, Science and the Arts is likely to take an increasing interest in the publication of HMI Reports. I see political disadvantage in appearing to drag my feet and to have this change forced on me under Parliamentary pressure. I told the Select Committee in July that I was considering publication; indeed I asked my officials to pursue this idea soon after I took up my present office.

I hope very much that you will withdraw your objection to my announcing the new publication and follow-up arrangements in advance of the publication of the policy document.

I am copying this letter to the Prime Minister and the Secretaries of State for Northern Ireland, Scotland and Wales and the Lord President.

Yours,
Keith



27 OCT 1982

JP

10 DOWNING STREET

From the Private Secretary

27 October 1982

PUBLICATION AND FOLLOW-UP OF HMI REPORTS

The Prime Minister has seen your letter of 21 October to Adam Peat and has asked me to write to you as follows.

Mrs. Thatcher is in general agreement with the direction taken by the proposed Answer next Thursday, but she would prefer to consider it alongside the draft policy statement which was promised as the next step in your letter to Willie Rickett of 17 June. Mrs. Thatcher also thinks that it would be more appropriate for Ministers' conclusions on the scrutiny reports, which affect Scotland and Wales as well as England, to be announced en bloc.

The Prime Minister would accordingly be grateful if the Answer could be suspended until she has had an opportunity to see the draft policy statement.

Mrs. Thatcher has the following points on the text itself:

- In the first sentence of the Answer, she would prefer the text to read: "..... institutions concerned, deprives parents and others of information which is of interest".
- Mrs. Thatcher would prefer the third sentence to read: "Citizens, including parents, those who pay for the inspected institutions through rates and taxes and others who use them should also have the right to see these assessments."
- The first line in the second paragraph should read: "..... introduce more systematic arrangements for following-up implementation, in the"
- In the note on procedures, the Prime Minister is firmly of the view that copies of reports should be made available from the Education Departments, since these are the issuing authorities. She would prefer paragraphs 6 and 7 to be amended in this sense, to establish and protect the right of access.

/ I am copying

I am copying this letter to Adam Peat (Welsh Office), John Lyon (Northern Ireland Office), Muir Russell (Scottish Office), David Hayhoe (Lord President's Office) and Elizabeth Thoms (Rayner Unit).

(TIM FLESHER)

Mrs. Imogen Wilde,
Department of Education and Science.



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister:

You will recall indicating that DES should not announce their proposals for publication of HMI reports until a policy document on the whole Rayner scrutiny was ready. The Scottish Office jumped the gun and tabled an arranged Question: this letter seeks a dispensation for this earlier decision to answer it. Mr Prestrey's advice is fringed at A. (In my view, the Scots should be rebuked, but) it is not worth embarrassing them by making them withdraw an obviously arranged Question.

T Flesher Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

Since the answer should now go ahead - not.

PUBLICATION AND FOLLOW-UP OF HMI REPORTS

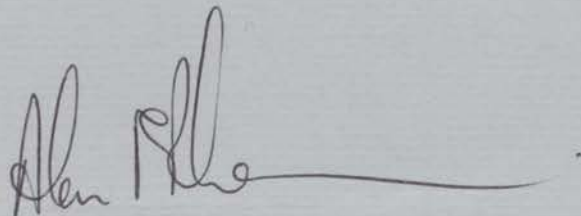
Imogen Wilde wrote to you on 21^{attached} October about her Secretary of State's intention to announce on Thursday this week his decision to make public HMI reports on schools and colleges and to institute a new procedure for following up these reports. I understand that the Prime Minister has expressed doubts about making such an announcement in advance of other decisions following the Rayner review of the Inspectorate. *Do you agree?*

27/10
Yes
mf

We were not aware of the hold-up to the DES question in time to consider delaying our parallel question being put down and it has appeared in today's order paper for answer on Thursday. Our view is that we should answer the question fully on the basis that the difficulties which DES have encountered do not apply in Scotland. To allow the question to lapse on prorogation or to ask the MP to withdraw it could attract attention from the Lobby and from the Opposition and any press enquiries would quickly reveal that consultations have already started in Scotland - the Scottish Education Department wrote earlier this month to the Convention of Scottish Local Authorities and other bodies to tell them of the intention to publish reports with effect from some time next year and to consult them about the procedure for publication. It was agreed at an earlier stage of the Rayner Review that these reports should be published and this would not have any manpower implications in Scotland.

I attach a draft reply and should be grateful to have your agreement to its terms by close of play on Wednesday.

I have sent a copy of this letter and enclosures to Imogen Wilde (DES)
Adam Peat (Welsh Office), John Lyon (Northern Ireland Office),
David Heyhoe (Lord President's Office) and to Sir Derek Rayner.

A handwritten signature in dark ink, appearing to read 'Alan McPherson', with a long horizontal flourish extending to the right.

ALAN McPHERSON
Private Secretary

PROPOSED QUESTION

To ask the Secretary of State for Scotland whether he has now completed his consideration of the possibility of publishing reports on educational establishments by Her Majesty's Inspectors of Schools.

SUGGESTED REPLY

I intend that publication of these reports should be introduced in the course of next year. I am consulting the Convention of Scottish Local Authorities and other interested bodies about the procedure to be adopted.

A handwritten signature or set of initials in dark ink, located in the lower right quadrant of the page. The signature is stylized and appears to consist of a large 'V' shape with a horizontal line extending to the right, and a smaller 'W' or similar shape below it.

GR draft letter
to be typed for
Mr FLESHER TF below

Prime Minister:

attached (flag A) is a
draft answer by DES announcing
that reports of HMIs are to be made
public. Mr Prestley recommends that
this should be announced with the policy
statement following the Rayner review.
DES have not been clearing their lines with

PUBLICATION AND FOLLOW-UP OF REPORTS BY HM INSPECTORS OF
SCHOOLS

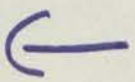
Yes Mr

Rayner;
agree to
Mr Prestley's proposal?
JT

1. Thank you for consulting me about the proposed Answer 25/10.
for next Thursday, 28 October.

2. The last occasion on which the Prime Minister was
involved was in June, when she responded to the report by
Sir Derek Rayner on the scrutinies of the Inspectorates in
England and Wales and Scotland (Mr Rickett's letter of 14 June
to Mrs Wilde, DES). The Prime Minister then asked to see the
proposed policy statement and action document. Mrs Wilde
replied on 17 June saying that the "next step is to
prepare a policy statement: he [Sir K Joseph] would be letting
her have this in due course".

3. It is now clear that DES is engaged on one of its
customary exercises with the press. I attach a leader from
last Saturday's Times. The sentence I have underlined is
atrocious. It is particularly silly as it is clear that,
in fact, the Inspectorate is now beginning to behave as it
should.



4. The full position on the scrutinies is that we are
still waiting for draft policy statement and action document
from DES. Given the promise contained in Mrs Wilde's letter;
the fact that three territories are involved, not just England;
and the general undesirability of feeding out the results of
the scrutiny piecemeal, I suggest that the Prime Minister should
deal with the Answer only when she has been able to see the
draft policy statement. My firm and clear advice is therefore
against agreeing to the Answer being given next Thursday.

5. I attach a letter for you to send to Mrs Wilde in
which I have, additionally, suggested some points on the text
itself.

C PRIESTLEY
25 October 1982

Encs: Extract from Times,
23 October
Draft letter to Mrs Wilde

Mrs Imogen Wilde
Department of Education
and Science

PUBLICATION AND FOLLOW-UP OF HMI REPORTS

The Prime Minister has seen your letter of 21 October to Adam Peat and has asked me to write to you as follows.

2. Mrs Thatcher is in general agreement with the direction taken by the proposed Answer next Thursday, but she would prefer to consider it alongside the draft policy statement which was promised as the next step in your letter to Willie Rickett of 17 June. Mrs Thatcher also thinks that it would be more appropriate for Ministers' conclusions on the scrutiny reports, which affect Scotland and Wales as well as England, to be announced en bloc.

3. The Prime Minister would accordingly be grateful if the Answer could be suspended until she has had an opportunity to see the draft policy statement. [~~As this was promised four months ago, I assume that this will be with us very soon.~~]

4. Mrs Thatcher has the following points on the text itself:
 - In the first sentence of the Answer, she would prefer the text to read: " institutions concerned, deprives parents and others of information which is of interest"

- Mrs Thatcher would prefer the third sentence to read: "Citizens, including parents, those who pay for the inspected institutions through rates and taxes and others who use them should also have the right to see these assessments."

- The first line in the second paragraph should read: "..... introduce more systematic arrangements for following-up implementation, in the"

- In the note on procedures, the Prime Minister is firmly of the view that copies of reports should be available from the Education Departments, since these are the issuing authorities. She would prefer paragraphs 6 and 7 to be amended in this sense, to establish and protect the right of access.

5. I am copying this to Adam Peat (Welsh Office), John Lyon (Northern Ireland Office), Muir Russell (Scottish Office), David Hayhoe (Lord President's Office) and Elizabeth Thoms (Rayner Unit).

T FLESHER

The "great debate" about the state-maintained schools inaugurated some five years ago by Mr James Callaghan was a nine-day wonder. On the tenth day the schools were by-passed by the decision surreptitiously to hand a huge share of social and educational responsibility to that unique corporate creation of the 1970s, the Manpower Services Commission. Yet Mr Callaghan's debate has had at least one lasting result. The debate itself on the quality of education was fomented by and in turn has reinvigorated a confused but immensely useful body of civil servants, Her Majesty's Inspectors of Schools.

In recent years the HMIs have begun to slough off the superficial educational enthusiasms of the 1960s and once again to assume a judicial stance: they can now say there are bad teachers. Under the leadership of the senior chief inspector, Miss Sheila Browne, they have survived the attentions of Sir Derek Rayner. And in a recent sequence of site inspections of education authorities - which ought to be continued with vigour - they have found a remarkably clear voice.

This week in a report on the schools and colleges of Dudley in the West Midlands the HMIs demonstrated the true independence that is the justification for maintaining such a corps. They told both their paymasters at the Department of Education and Science and parents and the public that reductions in spending do reduce the quality of schooling: cuts hurt. But there was courage also in the HMIs' portrayal of how exaggerated have been the educational lobbies' recent cries of anguish,

how flexible are the schools and how many of the failings of secondary education in state comprehensives were present long before Sir Keith Joseph arrived on the scene.

Schools in Dudley, the inspectors said, are "now at the edge of what can be done within present levels of funding". This is a clear message not just to Sir Keith, but also to Mr Michael Heseltine whose targets and grant formulae loyally Tory Dudley has been assiduous in observing. The Dudley report is now being used, along with other recent HMI documents, to beat the heads of ministers and other rate support grant negotiators. This is how it should be - provided policy makers read in conjunction with the HMI report the conclusions of the management consultants Dudley have prudently asked to examine various aspects of costs and administration in its scholastic system.

The inspectorate is now better trained and more knowledgeable about the schooling of less able secondary age children. Its very existence makes governments live with potential embarrassment and tribute is due to recent ministries in opening up inspectors' reports to public gaze. Reports will sometimes be ammunition for the National Union of Teachers and spending lobbies of one kind and another. Reports are a continual reminder, too, of how the state schools still fail many of their children in the middle and lower ability ranges, fail to stretch, fail to motivate them, fail to provide - the new 16-plus examination is sadly unlikely to change this - a worthwhile school-leaving certificate. Such facts are unpalatable, but they are not necessarily tied to the present government's

financial restraint, nor do they necessarily lead, as the reports of central government inspectors led in the nineteenth century, to the growth of government involvement as the cure-all.

For what the Dudley report implicitly, and other HMI reports explicitly, show is that the problems of British schools have as much to do with the effective management of available resources as any increase in either money or teacher numbers. The key indicator of inputs to education, the ratio of pupils to teachers, is still favourable. The role of the inspectors is to investigate local discrepancies; the role of the Department of Education is to work for a more even distribution of available resources. The department should be asking for a succession of reports like that on Dudley's provision.

The list should also include better-endowed authorities, those that spend more. The nature of the British system of central departments and local authorities does not allow there to be inspectors of cost working alongside inspectors of educational quality, but the government does have levers it can pull to produce quantitative indicators to match the inspectors' judgments. In this way Dudley's expenditure should be compared with Sutton's and linked through the HMIs' assessment of their pupils' performance, their stocks of school books, their provision for slow learners.

Mr Callaghan's debate was meant to open the "secret garden" of the school curriculum; it partly succeeded. It is time for the inspectors to lead the way into the mysterious world of educational effectiveness.

Gov Mack

Rayner



cf. c. Priestley

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Adam Peat Esq
Private Secretary to the Secretary of State
for Wales
Welsh Office
Gwydyr House
Whitehall
London
SW1

21 October 1982

Dear Adam,

PUBLICATION AND FOLLOW-UP OF HMI REPORTS

My Secretary of State is proposing to announce on Thursday 28 October his decisions to make publicly available HMI reports of formal inspections of institutions and to institute a new procedure for following up such reports in relation to maintained schools and FE institutions providing full-time education for students aged 16-18.

I enclose a copy of the draft Question and Answer announcing these decisions.

The first stage of implementing the decisions will be to embark on consultations with the local authority and teacher organisations, the voluntary bodies, the independent sector and other interested bodies on the procedures for giving them practical effect. I attach a copy of draft consultation letters on publication and follow-up.

You will see that the proposed Parliamentary Statement and consultation letters are confined to England. I should be grateful, however, for any comments on the text by Monday next, 25 October, at 1 pm.

I am copying this letter and enclosures to Willie Rickett (No 10), John Lyon (Northern Ireland Office), Muir Russell (Scottish Office) and David Heyhoe (Lord President's Office).

*Yours ever,
Imogen Wilde*

MRS I WILDE
Private Secretary

DRAFT ARRANGED PQ

QUESTION: To ask the Secretary of State for Education and Science, whether he will now make public the reports made to him by Her Majesty's Inspectorate on their formal inspections of educational institutions which he now issues in confidence; what arrangements he proposes for following up such reports; and if he will make a statement.

ANSWER: The current practice of issuing such reports in confidence to the maintaining authority or the proprietor, the governors, and the head or principal of the institutions concerned, deprives the education system and its clients of information which is of interest and concern to them. Knowledge of the strengths and weaknesses revealed in the Inspectorate's independent assessments is valuable to those institutions who are not for the time being the subject of such assessments, to the local authorities who maintain them, and to those working in the education system as teachers, governors, teacher trainers, and in other capacities, as a means of spreading good practice and fresh thinking and identifying and correcting shortcomings. The ratepayers and taxpayers who support the inspected institutions, and the parents and others who use them, should also have a right of access to these assessments. I have therefore decided to give public access to all reports on formal inspections which issue from January 1983 onwards.

I have also decided to introduce more systematic arrangements, in the first instance for following up reports of formal inspections of maintained schools and FE institutions providing full-time education for students aged 16-18 inclusive.

The procedures for giving effect to these decisions must take account of the formal position of those responsible for, and working in, the institutions reported on and of the fact that the reports are issued to specified persons. To this end I am consulting the local authority and teacher associations and other interested bodies about the procedural details.

DRAFT CONSULTATION LETTER ON PUBLICATION

1. I enclose a copy of a Statement made by the Secretary of State in Parliament onannouncing his decision to give public access to formal reports by Her Majesty's Inspectorate on individual institutions issued from 1 January 1983 onwards.
2. I also attach a note setting out the Secretary of State's proposals for the procedural details.
3. I should be glad to know if you have any comments on this note. It would be helpful to have your response by 30 November.

PROCEDURES FOR MAKING PUBLIC REPORTS OF FORMAL INSPECTIONS

Present position

1. Reports of formal inspections by HM Inspectorate to the Secretary of State are normally issued only to the LEA, proprietor, or other maintaining body, to the governors and heads or principal of the institutions concerned, and, in the case of a school which is not maintained, to any LEA which has placed pupils in it. They are issued under the following rubric:

"This report is supplied in confidence. Its contents may not, without the written consent of the Department of Education and Science, be disclosed, in whole or in part, except as provided below.

Copies of this report are supplied to the local education authority* governing body, and the head or principal, responsible for the school or institution named as reported upon. The head or principal may disclose its contents, either in whole or part, to members of the staff, and for that purpose further copies of the report will be made available to the head or principal on application to the Department."

2. There is also a reference to copyright in the following terms:

"Crown Copyright. No parts of this report may be copied or photocopied."

Procedures proposed for the future

3. Such reports will continue to be issued to the present recipients. They will continue to be based on the evidence collected, and the observations made, in the course of the inspection, and will express the Inspectorate's findings with the same frankness as at present. The Inspectorate will also continue the present practices for discussing the findings with the institutions inspected and the LEA, proprietor or other maintaining body before

the issue of the report. The gist of the report will thus continue to be known to those most closely concerned well in advance of its issue.

4. Additionally however those responsible should have an opportunity to see the report itself in advance of its wider release. It is therefore proposed to make reports publicly available a week after sending them to the direct addressees. In the case of a report on a maintained institution, the LEA concerned would receive a minimum number of copies previously agreed with the LEA concerned and would be asked to say if it required additional copies (see paragraph 6 below).

5. On the day of publication:

- (1) A copy of the issued report would be sent to the national press and other media, and to the press and media concerned with the area in question.
- (2) Since any issued report could raise professional issues of concern to teachers generally a copy would be sent to each national teacher organisation, so as to ensure that all were put on an equal footing.

6. In the case of maintained institutions it would be made clear to the press and others that the maintaining LEA would normally be expected to meet demands from individuals for a copy of the report; and it would be up to each LEA to decide how far to make available copies for reference by the public and others eg at public libraries and at the inspected institution. For this purpose the LEA would be supplied with additional copies on request. In the case of an

institution not maintained by a LEA, it would be made clear that copies were available at the institution and additional copies for this purpose would be supplied to the institution by arrangement.

7. Copies would in addition be available at the DES on request in cases where it would be unreasonable to direct the applicant to the maintaining LEA or, in the case of an institution not maintained by a LEA, the institution.

8. The present rubric on reports would be replaced by the following:

"Crown copyright: Department of Education and Science. You need not seek the permission of the Department to reproduce from this report in part or in full unless it is to be copied^d for a commercial purpose."

9. At 6-monthly intervals the Inspectorate propose to publish a short appraisal of those issues arising from the issued reports made public in the preceding 6 months which are likely to be of general interest to the education system and its clients.

4. It would be for the LEA to decide what action was appropriate in the light of each report; and how the various aspects of the report's findings should be covered in the reply to the Department. The Secretary of State would wish to know if the LEA disagreed with the findings so that any such disagreement could be appropriately explored, for example by discussion between HM Inspectorate and the LEA's professional officers. It would not be appropriate for the Department to seek to monitor in detail the follow-up action undertaken by the LEA and the institutions it maintains. But the Secretary of State would wish to know first that, where the LEA accepted the validity of the report's findings, it was taking appropriate action so that the findings, as far as was practicable, might be applied to improve the quality and effectiveness of education in its area; and, second, what in the opinion of the LEA the Department might for its part do to assist the LEA in relation to such action.

5. With these objectives in mind the Secretary of State proposes himself to take up with the LEA matters arising out of a report which are of exceptional concern or importance.

6. When a report relates to a voluntary school, it may be appropriate for the Department to communicate also with the voluntary body concerned. In such a case the Department would inform the maintaining LEA and the governors and head teacher of the school.

7. I should be glad to receive comments on the details of the procedures set out in this letter. It would be helpful to have comments by 30 November .

22 OCT 1992



CONFIDENTIAL

Govt. Mach

4

Action

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

H(82)44
6 October 1982

COPY NO 2

CABINET
HOME AND SOCIAL AFFAIRS COMMITTEE

RAYNER SCRUTINY OF THE WORK PERMIT SYSTEM:
WORKING HOLIDAYMAKERS

Memorandum by the Secretary of State for Employment

11/10

✓ am of with the proposed changes. [Signature]

*Pro Minister:
You are already aware of this. It will be discussed at H on Monday 11 Oct
[Signature]
6/10*

Background

In my memorandum for the H Committee meeting on 14 June I set out the Rayner Scrutiny Report recommendation for the abolition of our arrangements for working holidaymakers (except for countries with schemes comparable in provisions and usage) and proposed acceptance of this recommendation, particularly in the light of the employment situation here.

2 In discussion, colleagues raised a number of objections to this course and some other possible approaches were canvassed. I was invited to consider further the possibilities of restricting the concession to one year and of introducing a condition of reciprocity.

3 My officials then had further discussions with officials of the other Departments most concerned. Briefly, the arguments against reducing our maximum period of stay from 2 years to one year and/or of introducing a condition of reciprocity were as follows:-

- (i) we would be going contrary to the Melbourne Communique in which Heads of Governments re-affirmed the importance attached to student mobility and educational interchange;

CONFIDENTIAL



OVERSEAS DEVELOPMENT ADMINISTRATION
 ELAND HOUSE
 STAG PLACE LONDON SW1E 5DH
 Telephone 01-213 5409

Prime Minister:

You may like to note two exchange between Neil Marten and Derek Rayner about the review of support services at the Tropical Products Institute

6 October 1982
 and the Centre for Overseas Pest Research.

JA
 MT 7/10.

From the Minister

Dear Derek,

REVIEW OF SUPPORT SERVICES AT TPI AND COPR

Thank you for your letter of 24 September and for your most helpful comments on my proposals for the future of TPI and COPR. We shall now proceed with the preparation of action documents so that the proposals can be put into effect.

My intention is that the Units should be formally amalgamated as from April 1983 under a single Director and we shall now determine a structure for the new Unit: this will also have to be appropriate for the time when they are located on a single site. It will obviously take some time to identify and prepare a suitable location but preliminary work on this is already in hand and on the analysis of the costs and benefits of the move, including our assessment of future staffing levels. There will be capital costs involved and the source of the finance in question will also need careful consideration.

I agree fully that tight cost and budget control is necessary and that this will be the clear responsibility of the new Director. His duties in this and other respects will be set down in a written specification. This will also describe his reporting lines to the Under Secretary who, apart from ensuring that the Director is carrying out his duties effectively, will be responsible for broad policy direction and for determining the Unit's programme of work. In this latter respect he will act as the necessary link between the Director and the spending departments in ODA.

I also agree very much that we should move away from the situation where the supplier is the main determinant of what the Unit does. We shall therefore need to attain as quickly as we can the ratio of core budget to commissioned work that you suggest, taking account both of current commitments and of the need to deal carefully with staff adjustment. The balance and numbers of staff that the Unit is likely to be able to support in the longer term will require particular thought and we shall be addressing this, and the other key issues, in the action document that is now to be prepared.

/I much



I much admired your general report to the Prime Minister on the Review of Support Services and was glad to see the savings identified for different organisations. We shall have very much in mind the recommendations that you presented in formulating the action programme for the future of TPI/COPR.

I am copying this letter to the Prime Minister.

Yours,
Neil

NEIL MARTEN

Sir Derek Rayner
Management and Personnel Office
Whitehall
LONDON SW1A 2AZ

Cont Mach, Reymen P412

1-6 OCT 1982





Gov Mach

MANAGEMENT AND PERSONNEL OFFICE

WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01-273 3508
GTN 273
Switchboard 01-273 3000

[Handwritten initials]
27/9.

The Rt Hon Neil Marten MP
Minister for Overseas Development

24 September 1982

[Handwritten signature: Neil Marten]
REVIEW OF SUPPORT SERVICES AT TPI AND COPR

1. I am most grateful for your letter of 18 August describing the results of the fundamental review undertaken about the need to retain the TPI and COPR. I fully understand your wish to retain the units in those areas in which they have a clear comparative advantage.

2. To help get the units down to the appropriate size and keep them there, however, may I suggest that particular attention is paid to the following points?

2.1 It is important to merge the units under a single Director in a way which will enable them to be located on the same site. This is both to realise the immediate gains from release of buildings as suggested by Mr Anning, and also to show that the new arrangement is intended to be a permanent shift. This will mean taking a view on how large an institute can reasonably be expected to be supported by the budgeting arrangements (see 2.4 below).

2.2 The Director of the new institute should be given a written specification of his responsibilities which should be clear about the scope of work which he is expected to undertake and his personnel responsibility for ensuring that such work is carried out economically and efficiently. The specifications should also set out the relationship between the Director and the Under Secretary/Chief Natural Resources Adviser. As an outsider it seems that whilst it may be appropriate for the

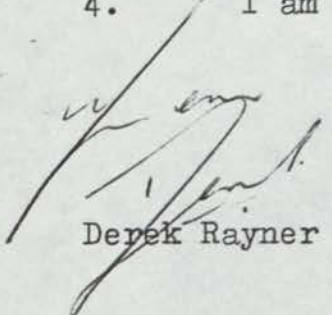
Under Secretary to give broad policy direction and to agree the programme of work, it is incontrovertibly the responsibility of the Director to keep a tight grip on costs.

2.3 Important though the new reporting arrangements are, they are not a substitute for getting after costs and keeping a tight control of the overall budget, the budgets of individual projects and the overheads of the institute.

2.4 The arrangements for commissioning work should allow customers (and I imagine these would be the policy divisions in headquarters) to switch money to universities or perhaps even wider within the aid programme if they judge that necessary. There may have to be safeguards because adjustment of staff can only take place gradually. But if funds are tied to the institute I fear that we will slip back to the old incremental treadmill, and the supplier rather than the customer will be dominant. Perhaps a ratio of core budget to commissioned work of, say, 1:2 would be acceptable to start with.

3. By all means let us follow these points through in the Action Document now being prepared. They are of course relevant to some of the general recommendations in my report to the Prime Minister and I very much look forward to seeing your response on those matters also.

4. I am copying this to the Prime Minister.


Derek Rayner

*I hope you have some time to
relax in London!*

Mr Flesher.



Mrs Wilde (2914-2440)

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Sir Derek Rayner
Management and Personnel
Office
Whitehall
LONDON SW1A 2AZ

I have to sponsor MW Beasley
AS/10

22 September 1982

Mr Flesher (No 10)

Please see this letter and the note below. I have it in mind to ask Sir DR to reply along the lines of the attached draft. Would that safeguard the Prime Minister's position sufficiently? *B 1/2*

Dear Derek

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

Thank you for your letter of 7 September. I do not envisage that there will be an action document separate from the policy statement on which we are now working. We shall produce only one document, whose scope I have indicated to you previously. We are calling it a policy statement because, given the subject matter and nature of the exercise, it will go wider than, and subsume, the action document of the kind usually produced after a Scrutiny. The policy statement will make it clear that its proposals for action follow the scrutiny.

I am copying this to the Prime Minister and to the Secretaries of State for Scotland and Wales.

Yours,

Kain

Mr. Beasley

For advice, please. You might have a word with Mr. Flesher and see how, in the light of what Mr. ... including the PM's on-the-record remarks from October 1980, the PM is likely to react.

SP

DRAFT

SCRUTINY OF INSPECTORATE OF SCHOOLS

Thank you for your letter of 22 September. I do not want to prolong the agony but I should be grateful for your reassurance on two points:

- It would have been helpful if I could have commented upon the draft policy statement before you went out to consultation. But as that no longer seems possible, can I be sure that I will have the opportunity to give you my reaction before it is finalised?

- I am anxious that the policy statement should pick up the points which the Prime Minister requested be given priority and reflected in the policy statement and action document (her private secretary's letter of 14 June) or, preferably, that there should be a separate action document indicating who is doing what (and by when) to meet the requirements. I should want to be assured, on her behalf, that there really will be changes of the kind desired.

I understand that the policy statement may not be ready until late October. There should therefore be time to take on

board both of these points. If it would be helpful I should be happy for Clive Priestley or Ian Beesley to come over and settle these matters with your officials.

Derek Rayner

Gow Mack

Rayner Programme

AT 12



Govt. Mach.

Prime Minister (4)

MANAGEMENT AND PERSONNEL OFFICE
WHITEHALL LONDON SW1A 2AZ

Mus 8/9

Telephone Direct line 01-273 3508
GTN 273
Switchboard 01-273 3000

7 September 1982

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
and Science

[Handwritten mark]

[Handwritten signature: Sir Keith]

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

Thank you for your letter of 27 August. ^{requested} I am glad to hear that work on the policy statement is now further advanced and that I may expect to see a draft shortly. I assume that the timetable will allow for you to take on board my comments before you go out to consultation.

I am glad, too, to learn that the Department has taken on board the substance of the report. We need to agree on the action document indicating what is to be done by whom on what time scale as a result of the scrutiny; it would be convenient if I might see the action document no later than the draft policy statement.

I am copying this to the Prime Minister and to the Secretaries of State for Scotland and Wales.

[Handwritten signature: Derek Rayner]

Derek Rayner



DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

Sir Derek Rayner
Management and Personnel Office
Whitehall
LONDON
SW1A 2AZ

Pa MG
See Mac

27 AUGUST 1982

Thank you for your letter of 19 August.

Work on the policy statement is well in hand and I hope to let you see a draft within the next few weeks. But before the policy statement is published, we must have consultations with the local authorities on those actions that affect them; those concerning the local authority advisory service, and publication of inspection reports and follow-up. The time needed for consultation means that I should expect to publish the policy statement in late October.

It would be wrong to assume, however, that nothing will move until the policy statement is published. In their programme of work, HMI have already taken on board the substance of the report, and especially the actions listed in paragraph 15 of your submission to the Prime Minister, except where we have to consult the local authorities.

I am copying this to the Prime Minister and to the Secretaries of State for Scotland and Wales.



FILE SW

Govt Mach

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
Cabinet Office

Rayner Unit Staffing

This is just to record that the Prime Minister has seen and noted your minute to me of 13 August about the appointment to the Rayner Unit of Mr. I. F. S. Trumper.

TIMOTHY FLESHER

26 August, 1982

VS



OVERSEAS DEVELOPMENT ADMINISTRATION
ELAND HOUSE
STAG PLACE LONDON SW1E 5DH
Telephone 01-213 5409

Got Mach

Dr

25/8

From the Minister

18 August 1982

Dear Duck,

attached

Thank you for your letter of 8 July. I agree that the report on the second part of Mr Anning's Study of TPI and COPR contains fascinating material and shows how worthwhile the exercise has been.

I had independently reached the conclusion that we should carry out a fundamental review of the Units as Mr Anning has recommended. However, I concluded that this should examine in a fundamental fashion the relationships between the Units and the rest of the ODA as well as the volume of work which it is appropriate for them to undertake.

That review has now been completed. The main conclusion, with which I agree, is that we need to retain the Units in some form. Increased food and agricultural production is rightly regarded as of central importance to the development of many poor countries. The developmental problems with which the Units are concerned are particularly difficult, requiring special skills and knowledge. The scientific excellence of TPI and COPR is highly regarded both nationally and internationally and in certain key areas there is no comparable other expertise.

The review also concluded, however, that a fundamental change in the relationship between ODA and the Units was needed to enable work programmes to be better planned and to enable us to make better decisions as to the balance between doing work "in-house" and contracting it out. Its recommendations are, in summary:

- i. The two Units (TPI and COPR) should be amalgamated to form a single organisation under one Director and, if it proves feasible, located on a single site.
- ii. The new Unit's terms of reference should be tightened so that it concentrates on those areas in which the combined institution has a clear comparative advantage.

/iii.



- iii. A more formal customer/contractor relationship along the lines of the Rothschild Principle should be established with the ODA, on behalf of developing countries, acting as customer and the Unit as contractor. There would be a more project-orientated approach to their programme.
- iv. To this end the Under Secretary/Chief Natural Resources Adviser should be responsible for setting objectives and selecting projects, and the Director of the Unit will be responsible to him.
- v. A small Advisory Committee should be set up, consisting of ODA headquarters officials and representatives from industry, university and research bodies, to assist the Chief Natural Resources Adviser in this task. The present advisory role of the Unit's Director in respect of its own programme would therefore cease. The existing system of Management Committees would be abolished.
- vi. In seeking technical advice from the Unit, ODA's Geographical Departments and Development Divisions should in principle use brigaded Natural Resources Advisers as the channel of communication, though this would not exclude informal day to day contacts.

The new Unit would operate within cash limits from 1983/84 to 1985/86, which on present assumptions covering inflation would imply a reducing budget in real terms of the order of 14% over the three years. (There has been a reduction in real terms already of 10% from 1980/81 to 1983/84.) This is a planning assumption and the cash limit for each year will be decided in the light of pressures on the aid programme generally.

I believe that the amalgamation of the two Units together with the new arrangements for determining the work programme will produce an early rationalization of their activities. Their range will be reduced by selecting blocks of work that may be discontinued altogether or contracted out when this is found to be cost effective. In this respect the material provided by Mr Anning in his study will be extremely useful. However, we must bear in mind that his study covered a relatively small sample of the work of the Units and we should, perhaps, be cautious about drawing sweeping conclusions. The reduced programme for the Unit will facilitate eventual relocation and reduce its cost. The amalgamation should take place on 1 April 1983 and work should begin at once on a cost-benefit study of relocation.

By following this procedure I believe that the valid points made in your letter will be fully covered. The work of the Units will no longer be supply-led, and the costing and tasking will be sharpened both as a result of the changes now proposed and by implementing the recommendations made by Mr Anning in Part I of his Study. Accommodation costs will be reduced by relocation on a site outside London (if this proves to be justified) and by contracting out some of the work.

/The



The Directors and the Trade Union Side of both TPI and COPR have been told in confidence what I propose as a result of the review, pending the reaction of yourself and the Prime Minister, and they know that I am writing to you in these terms. I hope that you will agree that what I now propose provides a suitable way to proceed from the second part of the Anning Study and that the recommendations of this in-house radical review should be incorporated in an action plan to implement it.

I am sending a copy of this letter to the Prime Minister.

*Yours
Neil*

NEIL MARTEN

Sir Derek Rayner
Management and Personnel Office
Whitehall
LONDON SW1A 0AA

010



Prime Minister

MR FLESHER

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Handwritten initials

16/8

RAYNER UNIT STAFFING

I should be grateful if you kindly inform the Prime Minister at a convenient opportunity that Sir Derek Rayner has appointed to his Unit for a two-year period Mr I F S Trumper of Messrs Deloitte, Haskins and Sells.

Mr Trumper is 34 and a very well regarded senior manager, who is a strong candidate for partnership when he returns to his firm. He is a Chartered Accountant with responsibility for an audit-group of some 25 professional staff.

The cost to the Government is a very modest £19,500 a year. This is a generous contribution by Deloittes. Even so, I am fortunately able to offset it by giving up a Senior Principal post currently in charge of a sub-unit of the Accountancy, Finance and Audit Division of the Treasury.

Mr Trumper will cover the normal range of staff officer duties in the Rayner Unit but will of course bring special professional knowledge and experience to bear on business arising from the financial management initiative.

I am copying this to Mr Board (MPO), Mr Hatfield (Cabinet Office) and Miss Goodison (MPO).

Handwritten signature

C PRIESTLEY
13 August 1982



2.5v2
Sok made
Prime Minister

Caxton House Tothill Street London SW1H 9NAF

Telephone Direct Line 01-213.....6400.....
Switchboard 01-213 3000

Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Great George Street
LONDON
SW1

3 August 1982

MT

D. Leon.

RAYNER SCRUTINY OF THE GENERAL EMPLOYMENT SERVICE

You and other colleagues confirmed in answer to my letter of 21 July that you agreed that we should go for a quick announcement of our broad endorsement of the Manpower Services Commission's response to the Report, provided that it offered us the great bulk of the savings recommended in the Report.

The Commission considered the report on Tuesday and came to decisions very much on the lines foreshadowed in my letter. I therefore gave the attached written answer in the House last week.

As you will see, in that answer, I have taken account of the points raised by you and by the Secretaries of State for Scotland and Wales about the undesirability of giving any guarantee about immunity from future reviews and the need to make clear that in the review of local offices full account will be taken of the particular problems of rural areas and that local interests will be consulted.

Michael Heseltine also wrote to me to express concern about the proposal that in reducing the number of area offices from 14 to 9 to put the Commission's Employment Service Division on the same organisational basis as the other operating divisions of the Commission and most other Government departments with a regional network, a separate area office for Merseyside would be lost. The answer I have given does not cover that point specifically, and therefore we are not irrevocably committed on this point one way or another. However, as I understand it, the Commission's position is that they will be seeking to reduce the number of areas from 14 to 9 as recommended in the report, provided that satisfactory arrangements can be made to reflect the special needs of particular labour markets such as Merseyside. We may have to look at this further



in due course but I must say that in my view all the logic points in favour of re-organising the management of the Employment Service in the way proposed. We are in any case not talking about the withdrawal of front-line services on Merseyside but rather the pruning of a management tier at two removes from the Jobcentres themselves, which is clearly, on the basis of the scrutiny report's findings, too luxuriant a growth to be afforded in current circumstances.

I am sending copies of this letter to the recipients of my letter of 21 July and to Michael Heseltine.

J. Norman

DEPARTMENT OF EMPLOYMENT

WRITTEN REPLY

THURSDAY 29 JULY 1982

100

MR ROBERT BANKS (Harrogate): To ask the Secretary of State for Employment, when he expects to formulate recommendations arising from the Rayner Report with regard to the operation of jobcentres; and if he will make a statement.

MR NORMAN TEBBIT:

The report, as part of Sir Derek Rayner's programme of scrutinies, on the General Employment Service was presented to the Chairman of the Manpower Services Commission and published at the beginning of June. The Commission have now considered its recommendations in the light of comments received and have reported their conclusions to me.

The Commission welcome the report's general endorsement of the role of the public employment service, and accept the broad approach of its recommendations for improving the efficiency and economy of the service. These include a reduction in the number of managerial and support staff above Jobcentre level, savings on the present Jobcentre network and the future modernisation programme, some re-grading of Jobcentre work, and some reduction in front line staff.

The Commission propose now to put in hand more detailed reviews of various matters identified in the report to provide a firm basis for future action. These include a review of the viability and cost effectiveness of a number of local offices, with due regard to the

effect of individual closures on local communities. The Commission have also indicated their willingness to co-operate in the recommended review of the present division of responsibility for young people between the employment service and the careers service.

The Government approve the general line of the Commission's response, which indicates potential savings by 1 April 1984 of some £10 million a year (nearly 8% of current expenditure) and some 600 staff (including some 200 already planned). They welcome the proposed review of the local office network, subject to full account being taken in consultation with local interests of the need to maintain adequate geographical coverage and the particular problems of rural areas.

The Government will give further consideration to the proposal for a review of the respective responsibilities for young people of the employment service and the careers service.



9/ 3v

RT
28/7

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1H 9NA

27 July 1982

R. M.

RAYNER SCRUTINY OF THE GENERAL EMPLOYMENT SERVICE

Thank you for your letter of 21 July with its welcome news that the bulk of the savings from this scrutiny can be achieved by 1984.

I share your view that an announcement of the acceptance in substance of the recommendations in this report with expected savings of 600 staff and £10-11 million should be made quickly. This letter confirms our agreement to the general line you propose.

Your letter mentions the provisos the Commission are seeking to attach to their agreement to implement the recommendations. We can accept the first proviso that the 220 savings which MSC was intending to find by reducing services to the disabled should be subsumed within the 600 savings to be achieved by the implementation of this scrutiny. This will, of course, have the effect of reducing the level of additional financial savings and we have noted that.

On the second proviso, I do not think that it would be right for me to agree now that the Service should be free from major investigations for the next two years, although I think it highly unlikely that we should want to carry out another scrutiny in that time. This is because there are a number of areas where Treasury are or may wish to become involved with aspects of the work of the Service. In particular there is the comprehensive work measurement exercise which will form the basis for revised complementing in the jobcentres; and also, in the light of Derek Rayner's observations on management tiers, the question of the role of the District Office network. I see no reason why this should cause the Commission any major difficulty.

I am copying this letter to the recipients of yours.

Yours
LEON BRITTAN

ok sv



MR FLESHER

This minute was
circulated
with
A
29/7

SCRUTINY OF THE GENERAL EMPLOYMENT SERVICE

Mr Tebbitt's letter of 21 July to the Chief Secretary proposes that although the scrutiny report "does not necessarily get right to the heart of all the issues involved... I think that we should aim broadly to achieve the savings recommended, without prejudice to further changes at a later stage".

2. Sir Derek Rayner agrees with that proposal. But he is concerned about the likely proviso from the Manpower Services Commission that "the General Employment Service should not be subjected to any further major external investigation of this kind for at least the next two years" which is wrong in fact and in principle. The scrutiny is not an external review. All scrutinies are conducted for the Minister concerned at his nomination. This scrutiny was suggested by Mr Prior when Secretary of State for Employment in September 1981. Although there are no plans for a further large review in the immediate future it seems unnecessary to declare a close season.

3. I attach a possible Private Office reply.

4. For your background information you might also like to have the attached list of efficiency work undertaken by the MSC in association with Sir Derek Rayner. On the whole the results have been quite good but it seems unlikely that all the good possibilities have been exhausted.

I
B

IAN B BEESLEY

27 July 1982

DRAFT PRIVATE SECRETARY LETTER TO THE DEPARTMENT
OF EMPLOYMENT

SCRUTINY OF THE GENERAL EMPLOYMENT SERVICE

The Prime Minister is content for the Secretary of State to announce the Government's general endorsement of the recommendations in Mr Winkett's report without prejudice to further changes at later stages should experience suggest that would be desirable. She is also keen that the further studies recommended should be moved forward with despatch.

2. The Prime Minister does not think the case is made, however, for declaring a close season of two years on further large reviews in this area. Whilst there are no plans at present for such work she does not feel that any organisation employing over 13,000 people should be automatically exempt. She expects the MSC to continue to play an active part in the scrutiny programme and the Government's other efficiency work, and points out that the scrutinies are not external investigations as the Commission appears to believe.

3. I am copying this to recipients of Mr Tebbitt's letter.

MSC EFFICIENCY WORK IN ASSOCIATION WITH SIR DEREK RAYNER

Review of Skill Centre Network (1979)

Review of TOPS Allowances (1979)

Organisation of Training Services Division (1980)

Special Programmes Division Operating Procedures (1981)

Field Organisation for the Training and Special Programmes
Division (1981)

General Employment Service (1981)

Review of Personnel Work (1982) underway.

28 JUL 1982



CONDICION

JU



DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301
SWITCHBOARD 01-212 7676

Secretary of State for Industry

27 July 1982

Rt Hon Norman Tebbit MP
Secretary of State for Employment
Caxton House
Tothill Street
London
SW1H 9NF

JK JV

3 RB

W
2/11

Norman Tebbit

RAYNER SCRUTINY OF THE GENERAL EMPLOYMENT SERVICE

Thank you for sending me a copy of your letter of 21 July to Leon Brittan. I am content with what you propose.

I am sending copies of this letter to the recipients of yours.

Norman Tebbit

22 JUL 1962

1 2 3 4 5 6 7 8 9 10 11 12



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Sarkis
cc JV

IF
26/7

MANAGEMENT - IN CONFIDENCE

The Rt Hon Norman Tebbit MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
LONDON
SW1H 9NF

26 July 1982

Dear Norman,

RAYNER SCRUTINY OF THE GENERAL EMPLOYMENT SERVICE

Thank you for copying to me your letter of 21 July to Leon Brittan; I have also seen a copy of your letter of the same date to Nicholas Edwards on this subject. *(will req if required)*

I am content with the action you propose to take in response to the report. In particular, the recommendation that there should be a further review of certain local offices is sensitive and requires to be handled carefully. I agree with you that we should make clear publicly that any review of local offices would need to take full account of the requirement to maintain adequate geographical coverage and to have full regard to the particular problems of rural areas, especially in Scotland and Wales. I also consider that it would be helpful if some public assurance could be given that there will be adequate opportunity for local interests to make their views known before decisions are taken on individual offices since I have received a number of representations on this particular aspect, as no doubt have you yourself.

I note that you propose that we should give separate consideration to the recommended review of the division of responsibility with the Careers Service for young people. While I accept that there may be a case for such a review in principle, the introduction of the Youth Training Scheme does raise particular problems of timing and this will require very careful consideration.

I was particularly interested in the Report's proposals for rationalising the management structure of the Employment Service Division (which I feel would be of particular benefit to Scotland) and by its foreshadowing of the possible integration of MSC services at regional level; and I hope these proposals will commend themselves to the Commission.

As you know, David Young wrote to me last month inviting my comments on the Report. I have delayed replying until we were able to consider collectively our response to the Report as a whole and I would now propose simply sending a brief acknowledgement of his letter, once you have made your announcement. I will ask him to ensure that I am consulted before final decisions are taken on local offices in Scotland.

I am sending copies of this letter to the Prime Minister, the Chief Secretary, the Secretaries of State for Education and Science, Wales and Industry, Sir Derek Rayner, Mr John Sparrow and Sir Robert Armstrong.

Yours well,

George.

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4 6 2 1

26 JUL 1982



Cast Mch
FC 50

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

TK
22/7

Sir Derek Rayner
Management and Personnel Office
Whitehall
LONDON
SW1A 2AZ

22 July 1982

Dear Sir,

Thank you for your letter of 28 June. I share your concern that no more time should be lost. Work on the policy statement is going ahead as quickly as possible.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, the Secretary of State for Wales, the Lord Privy Seal, the Minister for Industry and Education in Scotland and Sir Robert Armstrong.

Ever,

Kew



Caxton House Tothill Street London SW1H 9NAX F

Telephone Direct Line 01-213...6400.....
Switchboard 01-213 3000

Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury
Great George Street
LONDON SW1

cc DV
4
Pine Murchie

*Carbest with
Mr Tebbots head
approach?*

21 July 1982

JF

21/7

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us Pine as
Pine account
JF
26/7*

D Leon.

RAYNER SCRUTINY OF THE GENERAL EMPLOYMENT SERVICE

The report of the team appointed as part of Sir Derek Rayner's programme of scrutinies to review the Manpower Services Commission's Employment Service was presented to the Chairman of the Commission and published at the beginning of June. The Commission have already had a first discussion of it and will be considering it further, in the light of comments received, at their meeting on 27 July and reporting their conclusions to me. I think we should announce our decisions very rapidly thereafter to minimise uncertainty.

The report generally endorses the role of the employment service, but makes a number of recommendations for improvements in efficiency and other economies which would save £10-11m a year (nearly 8% of current costs) and some 600 staff. The bulk of this could be achieved by 1984. The main items are a reduction in the number of managerial and support staff above Jobcentre level, savings on the present Jobcentre network and the future modernisation programme, the downgrading of a good deal of Jobcentre work, and a further reduction (additional to planned cuts) of some 240 in Jobcentre staff, reducing the level of service to what the team regard as adequate and desirable. The report identifies a number of matters requiring further review, including the viability and cost effectiveness of a number of smaller local offices, and of the present division of responsibility for young people between the Employment Service and the Careers Service.

The report does not necessarily get right to the heart of all the issues involved - a view which I know Derek Rayner shares - but I think that we should aim broadly to achieve the savings recommended, without prejudice to further changes at a later stage, for example when we have practical experience of the effect of the abolition from this October of compulsory registration at Jobcentres as a condition for the receipt of unemployment benefit.



I also think that the various further reviews recommended should be put in hand, with due regard to the position of local offices in rural areas, particularly in Scotland and Wales. I will, however, be giving separate consideration, with my colleagues concerned, to the proposed review of the division of responsibility with the Careers Service for young people, which is primarily a matter for the Government rather than the Commission.

There is reason to think that the Commission will adopt an approach substantially on these lines at their meeting on 27 July, if only by a majority vote (with the TUC Commissioners likely to dissent). There are likely to be two provisos. The first is that up to 220 of the staff savings from this review should count towards the MSC's present commitments towards the 630,000 target. This seems reasonable since the Rayner recommendations include economies in the general employment service which the MSC would have been making in any case to replace the saving of 220 staff on services for the disabled proposed last year, which it is now clear they cannot achieve consistently with our declared commitment to maintain the level of services to the disabled. The second likely proviso is that the general employment service should not be subjected to any further major external investigation of this kind for at least the next two years (when they will be carrying through the more specific reviews recommended in the report). This would, of course, be without prejudice to any further general economies, and also seems reasonable.

On the assumption that the Commission do adopt such an approach on 27 July, I propose that I should announce the Government's general endorsement of that response either by means of a Written Answer before the House rises, if that seems politically reasonable, or as soon as possible thereafter.

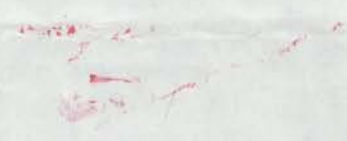
I should be glad to know, if possible by midday on 26 July, whether you and the colleagues to whom I am copying this letter agree with this line.

I am copying this letter to the Prime Minister, the Secretaries of State for Education and Science, Scotland, Wales and Industry, Sir Derek Rayner, Mr John Sparrow and Sir Robert Armstrong.

J. A.
Norman



21 JUN 1962





FILE SW
Gent Mach

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
Sir Derek Rayner's Office

The Prime Minister has now seen your minute of 12 July about the scrutiny programme for the Department of the Environment and has agreed that you should tell DoE that the Nature Conservancy Council is accepted for the scrutiny programme, provided that its terms of reference include its relationships with DoE and with other bodies in the same field, and that structure planning should be considered as a subject for a special scrutiny.

TIMOTHY FLESHER

19 July, 1982

#

Prime Minister:

Mr FLESHER

Do you agree i) that the Nature Conservancy Council should be accepted for the scrutiny programme and ii) that Mr Priestly should suggest structure planning as a subject for a special scrutiny.

SCRUTINY PROGRAMME 1982: DEPARTMENT OF THE ENVIRONMENT

13/7

The Prime Minister agreed in February that Mr Heseltine should be pressed to offer a second scrutiny over and above his Cartographic Services. I wrote to Mr Edmonds saying that the PM thought

"..... that such a subject might be found in the area of regional/structural planning or in the value for money [which DOE] obtains for the taxpayer from the fringe bodies which it finances."

2. The purpose of this minute is to seek the PM's agreement to what DOE have recently proposed in reply, namely a scrutiny of the Nature Conservancy Council (NCC), subject to the qualifications noted below.

PLANNING DISCOUNTED

3. Mr Heseltine would prefer to dismiss the idea of a scrutiny of planning because:

- (1) DOE is no longer undertaking any strategic regional planning.
- (2) On structure planning, Mr Heseltine is considering how best to go about improving the existing system operated by the County Councils. Work on this will be wide-ranging and DOE considers that the "time and manpower needed as well as the policy implications put it beyond the scope of a normal scrutiny".

4. I do not dispute the reference to "time and manpower" in 3(2) above. Typical scrutinies involve one examining officer and last 90 days. But the Cabinet set aside PAR in October 1979



in preference for the scrutiny programme, with the clear implication that the new programme should include policy subjects. And we have had several scrutinies undertaken by a team and lasting more than 90 days. The Prime Minister may recall that she received a first-class presentation from the team which undertook the joint DE/DHSS scrutiny of the delivery of benefits to the unemployed in 1980.

5. I therefore recommend that, while accepting the NCC proposal, the PM should authorise me to suggest that structural planning should be considered for a special scrutiny. The subject is an ideal one for the scrutiny technique, but is still a bird in the bush compared with the NCC which has been put into our hands.

NATURE CONSERVANCY COUNCIL OFFERED

6. A factual note on the NCC, and also on the Countryside Commission, is attached. In case the PM knows him, I draw your attention to the name of the NCC's chairman, Sir Ralph Verney.

7. The offer is welcome, but faintly curious.

8. First, we have been after the Countryside Commission for some time. It (presumably) is included among fringe bodies considered but not offered by DOE, because

"..... there are initiatives already being taken to tighten manpower control and financial budgeting. Other bodies have recently undergone re-organisation and need a settling down period."

9. The status of the CC was changed by the recent Wild Life and Countryside Act to that of a grant-in-aid body, one effect of which was to remove its 100 staff from the Civil Service manpower count.



10. Secondly, although the Act also had some bearing on the work of the NCC, the DOE letter says that Mr Heseltine has been

" concerned for some time that its management systems are not as sharp as they might be. There has been a trend of increasing staff numbers. A Rayner scrutiny would be a very satisfactory means of looking at these matters and one which could go rather wider looking at all the NCC's systems of resource control - budgeting, monitoring and accounting for financial and manpower resources."

11. The proposed terms of reference provide a satisfactory basis for a scrutiny, chiefly of internal control systems and the scope for reducing in-house effort. But there would be advantage in two possible extensions, namely to the NCC's working relationships with

(1) The DOE: relationships between fringe bodies and their "sponsor" departments are often unsatisfactory. In this case, I understand also that there may be tensions between the DOE policy division (Rural Affairs, based in Bristol) and the finance divisions.

(2) Other bodies in the same field.

12. The extension at (2) above would need arguing with some tact. Rural conservation is, rightly, one of the most active and highly regarded of present-day "Good Things", as well as the favourite son of numerous lobbies. The main bodies do have somewhat different functions - the NCC conserves wild life and land, while the CC and the Sports Council are more interested in recreation, as is the Forestry Commission in addition to its industrial responsibilities. The main distinction between the NCC and the CC is that the latter enables others to do things, 70% of its budget going in grants compared with a tiny fraction of that of the NCC. But



there are common interests too - in information, research, giving advice and the management of protected areas.

RECOMMENDATION

13. I should be grateful if the Prime Minister would authorise me to tell DOE that:

- (1) The NCC is accepted for the scrutiny programme now, provided that the terms of reference include its relationships with DOE and with other bodies in the same field.
- (2) Structure planning should be considered as the subject of a special scrutiny.

9
C PRIESTLEY
12 July 1982

A greed
ms

Enc: Note as indicated

ANNEX

NATURE CONSERVANCY COUNCIL

1. Hived off from the Natural Environment Research Council in 1973. Responsible for the conservation of flora, fauna and geological and physiographical features throughout Great Britain. Establishes, maintains and manages Nature Reserves; empowered to grant-aid other bodies to do so too (budget £300,000 in 1981-82). Advises Government on nature conservation; provides a source of advice and knowledge for those whose activities affect the natural environment. Commissions, supports and undertakes research (budget £1.1m in 1981-82).
2. Cost: £11.27m in 1982-83. Staff: 540 full-time, 44 part-time.
3. Head Office in London (Belgrave Square); HQs for England in Banbury, Scotland in Edinburgh and Wales in Bangor; 8 regional offices in England, 4 in Scotland, 3 in Wales.
4. Chairman, Sir Ralph Verney Bt., inter alia a Vice-Lord Lieutenant of Buckinghamshire and a member of the Chequers Trust; Director-General, Mr R C Steele, ex-Natural Environment Research Council.

COUNTRYSIDE COMMISSION FOR ENGLAND AND WALES

5. Status recently changed to that of a grant-in-aid body. Responsible for encouraging and promoting measures to ensure and enhance the natural beauty and amenity of the countryside; providing and improving facilities for the enjoyment of the countryside; and securing public access. Empowered to make grants to local authorities, private bodies and individuals (budget of £7.2m in 1982-83); conducts experimental schemes; provides information services; designates National Parks and Areas of Outstanding Natural Beauty; formulates proposals for long-distance footpaths; commissions or carries out research (budget of £0.5m in 1982-83).

6. Cost: £10.84m in 1982-83. Staff: some 100.
7. Head Office in Cheltenham, 9 regional offices.
8. Chairman, Mr D Barber; Director, Mr A Phillips.

NB: Both the NCC and the CC are due for review in 1984 under the procedures established by the Government on the publication (1981) of the Guide to the Management of Non-Departmental Public Bodies, but this could be brought forward and included in the scrutiny programme.

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MANAGEMENT AND PERSONNEL OFFICE
WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01-273 3508
GTN 273
Switchboard 01-273 3000

Mr. Gifford
Mr. D.R. Harris
Mr. A. [unclear]
Mr. [unclear]
Mr. [unclear] - pl [unclear]
Thank you

8 July 1982

The Rt Hon Neil Marten MP

Dear Neil

REVIEW OF SUPPORT SERVICES AT TPI AND COPR - COST ANALOGUES

Mr Anning kindly sent me his part II report on 25 May. I have found the material it contains fascinating. It is clear that this has been a very worthwhile exercise which you were right to commission.

2. The chief lessons are:

- Most work could be contracted out, often at less cost.
- It is worrying that the haziness of costing and tasking noted in part I of the report can lead to the misleading impression that work in the units is cheaper than it really is.
- It is also worrying that the work of the units too often seems to be supply led.
- The possibility of sharply reducing accommodation costs (left over from Mr Anning's part I report) will be improved if work is put out to the institutes and universities.

3. I am copying this to Sir Peter Preston and to Mr Anning with best wishes for his new posting - with which I understand he is pleased.

[Handwritten signature]
DEREK RAYNER

12/13



MANAGEMENT AND PERSONNEL OFFICE

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28 June 1982

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education and Science

Sp. Keith.

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

As you know I delayed submitting my report to the Prime Minister until 27 ~~May~~ because of events elsewhere. I very much welcome, as you and your colleagues must also, the forthright language of her Private Secretary's letter of 14 ~~June~~ to Mrs Wilde in your office. I am sure that there is an important opportunity here for the Government to show, through the action of a cadre of high quality and suitably experienced people, its concern for the good education of children whose parents are entitled to look to central government for help in securing it.

2. One advantage of the delay is no doubt that you have been able to get well ahead with preparing the action document which you mentioned in your letter to me of 6 April (for which many thanks). I understand that officials are thinking in terms of end-August or early September, but as it is nearly a year since Nick Stuart put in his report, I hope that we can get ahead quickly now.

3. I am copying this to the Prime Minister, the other Education Ministers, and for information to the Chancellor of the Exchequer and Lord Privy Seal and Sir Robert Armstrong. And I enclose your copies of letters to the Secretary of State for Wales and the Minister for Industry and Education in Scotland.

[Signature]
DEREK RAYNER

ENCs: Copy letters to Mr Nicholas Edwards and
Mr Alexander Fletcher

6010 Mach

NBPM

18

29/6



MANAGEMENT AND PERSONNEL OFFICE
WHITEHALL LONDON SW1A 2AZ

Telephone Direct line 01-273 3508
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28 June 1982

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

John Pugh

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

You very kindly wrote to me on 13 April about the draft report to the Prime Minister, whose submission I deferred because of the Falklands crisis. Thank you for the points you made, which I tried to reflect appropriately in the report as eventually laid before the Prime Minister.

2. With her comments on the report (her Private Secretary's letter to Mrs Wilde in Keith Joseph's office), we can now move on to the next stage, which I imagine the Welsh Office and the Department of Education will have long had in hand, namely the draft action document and policy statement. I have written to Keith Joseph about this and you may like to have the enclosed copies of my letters to him and the Minister for Industry and Education in Scotland.

3. Copies go to the Prime Minister, the Secretaries of State for Education and Scotland, Mr Alex Fletcher and, for information, to the Chancellor of the Exchequer, the Lord Privy Seal and Sir Robert Armstrong. I enclose copy letters to the other Education Ministers.

4. May I say in conclusion that I was very sorry to hear of the death of your Chief Inspector, Mr E O Davies? I did not know him myself but have heard of his quality.

John Pugh

Derek Rayner

DEREK RAYNER

ENCS: Copy letters to Sir Keith Joseph and Mr Alexander Fletcher



MANAGEMENT AND PERSONNEL OFFICE

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28 June 1982

Alexander Fletcher Esq MP
Minister for Industry and Education
Scottish Office

A. Fletcher

SCRUTINY OF HM INSPECTORATE OF SCHOOLS IN SCOTLAND

Thank you for your letter of 13 April. I did my best to cover the points you made appropriately in my report to the Prime Minister whose submission was, as you know, put off until the end of May owing to the pressure of events elsewhere on her time.

2. Now that the Prime Minister has commented (Mr Rickett's letter to Mrs Wilde, DES, of 14 June), it would be good to move on to the draft action document and policy statement, whose preparation is I imagine well advanced. In this connection, you may like to have the enclosed copy letters to Keith Joseph and Nick Edwards; I look forward to hearing from you.

3. I am copying this to the Prime Minister, the Secretaries of State for Education, Scotland and Wales and, for information, to the Chancellor of the Exchequer, the Lord Privy Seal and Sir Robert Armstrong. Your copies of letters to Keith Joseph and Nick Edwards are enclosed.

Derek Rayner

DEREK RAYNER

ENCS: Copy letters to Sir Keith Joseph and Mr Nicholas Edwards



cf SV
AW
Govt Mach

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH
TELEPHONE 01-928 9222
FROM THE SECRETARY OF STATE

W F S Rickett Esq
Private Secretary
10 Downing Street
London SW1

17 June 1982

Dear Willie, ^{TS} 17/6

RAYNER SCRUTINY OF HM INSPECTORATES OF SCHOOLS

My Secretary of State was very glad to have the Prime Minister's views on the scrutines of the Inspectorates. The next step, as you know, is to prepare a policy statement: he will be letting her have this in due course. I am copying this letter to the recipients of yours.

Yours ever,

Inogen Wilde

MRS I WILDE
Private Secretary

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Five

Rayner

RW

10 DOWNING STREET

From the Private Secretary

14 June, 1982

SCRUTINY OF HM INSPECTORATES OF SCHOOLS

The Prime Minister has seen Sir Derek Rayner's report on the scrutinies carried out last year of the inspectorates in England and Wales and Scotland. She is very strongly of the view that the national inspectorates should be seen to be working on behalf of families, whose opportunity for a good education is too dependent on chance and locality, especially those who have few to speak up on their behalf.

Mrs Thatcher also thinks that because the use made of a national inspectorate must be selective, a lot of effort should be put into such problem areas as those identified in paragraph 15 of Sir Derek Rayner's submission and that the staffing of the inspectorate should be flexible enough to bring in teachers and others who are leaders in their field (paragraph 30(2) of the submission).

The Prime Minister would like to see these points reflected in the proposed policy statement and action document which she hopes will show how the Government intends to redress the balance between what Sir Derek Rayner calls the "people's interest and that of bureaucratised professionals" (paragraph 22).

I am copying this to Muir Russell (Scottish Office), Adam Peat (Welsh Office), John Kerr (HM Treasury), Jim Buckley (MPO) and Elizabeth Thoms (Rayner Unit).

W. F. S. RICKETT

Mrs I Wilde
Department of Education and Science

JWP



RW

10 DOWNING STREET

From the Private Secretary

14 June, 1982

PSA ADVISORY BOARD

The Prime Minister has seen your Secretary of State's minute of 9 June. She is content for this Advisory Board to continue its work, but she would like your Secretary of State to review the question of the Board's continued existence in a year's time.

J. W. F. S. RICKETT

Mrs Helen Ghosh
Department of the Environment

20

PERSONAL

Mr RICKETT

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

Sir Derek Rayner will see his copy of Sir Keith Joseph's minute of yesterday to the Prime Minister over the weekend.

2. The purpose of this minute is simply to say that it would be helpful if - provided she agrees - the Prime Minister sent Sir Keith Joseph an early note along the lines of that submitted by Sir Derek Rayner under cover of his personal minute.

3. There is no doubt in his mind, or in mine, I am afraid, that DES will need all the stiffening from outside that can be provided on this matter.

CP

C PRIESTLEY

11 June 1982

CC J.V.
AW

PRIME MINISTER

SCRUTINY OF HM INSPECTORATE OF SCHOOLS

I am now taking action to follow up Sir Derek Rayner's report of 27 May and this scrutiny.

2. I do not believe that the Inspectorate's audit function has been eroded, as Sir Derek suggests. The volume of inspection in England is as high as it has been for many years. But I do agree that the Inspectorate's audit function needs to be strengthened by better exploitation. That point will be brought out in the policy document which I intend to publish along with the scrutiny report for England. I shall consult Sir Derek on its text and show it to you in advance. I will also need to discuss certain aspects of it with the education service.

3. I have now decided to publish HMI inspection reports on individual institutions. I attach great importance to the need to follow up these reports, which seem to me to offer a potentially very valuable instrument for raising standards. I shall be letting you have further details of my follow-up procedure when I send you the policy document.

4. I am sending copies of this minute to the Chancellor of the Exchequer, the Secretaries of State for Scotland and Wales, the Lord Privy Seal and Sir Derek Rayner.

KJ



40 JUN 1952

Prime minister 4

Content that the PSA Advisory Board should continue its work? I suggest your agreement should be for a further one year, after which the Board's work can be reviewed again.



PRIME MINISTER

PSA ADVISORY BOARD

When you agreed in December 1980 to my setting up the PSA Advisory Group (renamed the PSA Advisory Board) under Nigel Mobbs' chairmanship, you did so on the basis that appointments should not continue beyond one year without further reference to you. More than a year has since passed, but I wished before coming back to you to reach a view on the continued need for the Board given the appointment of the new Chief Executive from the private sector.

I have concluded that the Board remains necessary, and I seek your agreement to continue its work.

PSA is a major slice of my responsibilities and I have been giving it a good deal of my attention. We are seeing results. For example:

Staff: reduced from 38,819 at April 1979 to 30,154 at April 1982, a reduction of 22%.

Property Disposals: receipts of some £203m over the last 3 years.

Office Rationalisation: for example, a major programme of reorganisation of London offices which has freed 1.4 million square feet, and should produce a further 4.5 million square feet of savings by 1985. This will reduce the annual London rent and running costs by 29% compared with 1979 (saving £50m per annum at 1979 prices): well ahead of the fall in Civil Service numbers.

I am concerned to maintain this momentum.

Is this all?

The Advisory Board has done valuable work for me. They have produced 3 useful reports and they are now thoroughly familiar with PSA and its work. They have identified a number of areas of PSA as needing detailed scrutiny, and I would like to have their comments on these.

More importantly, the new Chief Executive and I have a number of ideas for radical changes in PSA about which I hope to write to colleagues shortly. Both the Chief Executive and I regard the Advisory Board as an important source of support and wider private sector experience in developing and hopefully introducing these concepts.

I have no immediate proposals for changing the membership. But I feel that the Board may be light on property management expertise, and I am keeping this under review.

I should say that Board members receive no fee, and their costs have totalled less than £3,000, with is tiny set against the time which Nigel Mobbs and his colleagues have freely given.

I should be grateful for your agreement to the Board continuing its work.

For one more year

MH



10 JUN 1962



[Faint handwritten signature or initials]

[Faint, illegible handwriting]

[Faint, illegible handwriting]

Prime Minister

If you agree with Sir Derek's conclusions, the first step will be for Education ministers to prepare "action documents" for their Inspectors, to translate their decisions into actions by named individuals. Sir Keith Joseph is already working on these (his minute at A), and the drafts will be submitted to you. Content to endorse Sir Derek's conclusions and for me to write to Sir Keith's office as in the draft at B?

PERSONAL

PRIME MINISTER

SCRUTINY OF HM INSPECTORATES OF SCHOOLS

I attach a submission on last year's scrutinies, carried out after your meeting with the Education Ministers, their officials and me at the end of October 1980. It is fairly long, so you may like this summary and some private observations.

Yes
WR
11/6
MS

2. The exercise in Scotland was quite good. In England and Wales I believe the probing was not sufficiently radical. Sir Keith Joseph has taken a very close personal interest in the issues which he has discussed at length with his Senior Chief Inspector, Miss Sheila Browne, whose judgment he respects. My report reflects what he said to me when we talked earlier this year, but I must not conceal from you my belief that a firm and sustained pressure on the Department will be necessary to get not only a satisfactory statement of inspection policy but also action (para. 29 of my submission).

3. The points to which I attach the most importance are these:

(1) A cadre of 575 inspectors in England, Scotland and Wales is - potentially - a very powerful weapon for good (para. 5). They seem to be very good people, I suspect not all that well used (para. 30(1)).

(2) But they cannot do everything. Selective effort in order to get practical change should include:

- the inspection of particular establishments and of the standards of education provided by particular authorities;

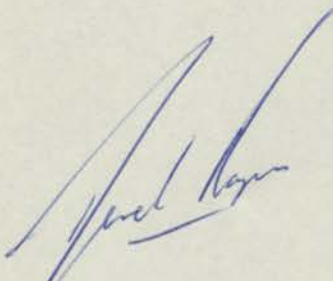


- prompt publication of the resultant reports;
- education of immigrants' children;
- management of large establishments; and
- follow-up on the ground to national reports (paras. 15 and 28).

(3) I do not believe that the inspectorate should be wholly staffed up as a permanent cadre. Some good people should be brought in on secondment: eg there are probably some teachers with a good understanding of the changes needed in teaching ethnic minorities and the management of big schools.

4. I also attach a possible private secretary letter to be sent on your behalf to Sir Keith Joseph's office.

Encs: Report
Draft letter



Derek Rayner

27 May 1982




SCRUTINY OF HM INSPECTORATES OF SCHOOLS

The scrutinies of the Schools Inspectorates which you commissioned at your meeting with the Education Ministers, their senior officials and me at the end of October 1980 were carried out last year. That for England and Wales was undertaken part-time by Mr N W Stuart, Under Secretary, DES, with the help of Miss J Partington, now a Principal in that department, and that for Scotland by Mr R C Rendle, a recently retired Under Secretary, Scottish Office.

2. I commented on the reports last summer, but it was only early this year that the Education Ministers themselves have been able to take a view on how they wished to proceed. Sir Keith Joseph and I discussed the issues in February. I have consulted him, the Secretary of State for Wales and the Minister for Industry and Education, Scottish Office in preparing this submission to you, but I should make it clear that it is my report and that Ministers and their senior officials do not necessarily agree with all that I say. I regret the further delay in reporting to you, but I had waited in the hope that more urgent demands on your time would be abated.

FUNCTIONS, SIZE AND COST etc

3. Inspectors of Schools are mostly ex-teachers and lecturers. Some have industrial experience. They are civil servants, paid for out of the staff Vote of their department, and - in formal organisational terms - report to their Minister through his Permanent Secretary. Their independence is essentially the same as that of any good civil servant, whether or not he has a specialist qualification or experience: they are paid to advise the Minister and his officials to the best of their knowledge and ability. Sir Keith Joseph says that the form of their appointment and the nature of their function give their relationship with the Minister a measure of independence



which his other staff lack. The key point to my mind is that inspectors are paid for by the taxpayer like other civil servants and that it is reasonable to apply the same standards of scrutiny to the value they add as to other functions.

4. At the time of the scrutinies, the size and cost of the inspectorates were as follows:

	<u>Complement</u>	<u>In post</u>	<u>Support staff</u>	<u>Total</u>	<u>Cost</u>
England	430	407	180	587	£13.3m
Wales	59	55	15	70	£1.8m
Scotland	118	112	59	171	£3.2m
<u>Totals</u>	607	574	254	828	£18.3m

5. The inspectorates are therefore an expensive resource. Although Ministers make the fair point that their inspectors are but one of many "change agents" in education, I would regard a corps of 575 highly qualified and well directed people in any large organisation I am familiar with as a resource of formidable potential. In the case of education, of course, the law requires local authorities to accept central government inspection, which very much fortifies the position of the inspectors and their employing Ministers.

6. The two main functions of the inspectorate have long been seen as to provide the Minister with educational advice and intelligence based on experience acquired before joining the Civil Service and on inspecting schools and colleges and to help the education service itself to do better.



7. Mr Stuart's report for England and Wales however quoted a statement from 1922 that the function of the inspectorate was

"to ascertain whether educational value is obtained for the expenditure of state money and they are therefore required to report systematically on the education and standards of schools and areas."

8. I believe that that "audit" function has been eroded over the years, partly by the increase in the number of institutions to be examined* in relation to the number of inspectors, which has declined; partly by the reluctance of central government overtly to audit local government; partly by what Sir Keith Joseph has described to me as the "turbulence" of the education scene over the last generation; and partly because of two related developments within the system, the strong reluctance in some parts of the Kingdom of the teaching profession to be "inspected" and the employment by local authorities of inspectors and advisers of their own. Sir Keith Joseph believes however that new purpose and vigour have been injected into his inspectors' work in recent years.

THE ISSUES

9. The reports give rise to many questions about how best to recruit, organise and deploy a corps of inspectors and how it should collaborate with fellow civil servants in the DES and the Scottish and Welsh Office Education Departments. But these issues are secondary to the questions of

- The chances of children and students for a good education.

* <u>No per inspector</u>	<u>England</u>	<u>Wales</u>	<u>Scotland</u>
Pupils	21,300	10,200	9,300
Schools & Colleges	71	43	35
Teachers	1,260	600	570



- The effectiveness of inspectorial action.
- The relationship between inspectors and local authorities.
- The policy for inspection, which determines the role, numbers and deployment of inspectors.

The chances of children for a good education

10. Sir Keith Joseph and his Education colleagues are greatly concerned about the patchiness of the quality of education and therefore about the unevenness of the chance of getting a good education presented to children and their parents. As an employer in the UK, Canada and France, I am continually struck by the effects of this on the young people who offer themselves to us for employment; my Company is a collaborator with the MSC in several of its schemes for repairing the gaps left by the schools; and we are repeatedly impressed by what can be done with young trainees whose latent quality has been either unremarked or unused by their schools.

11. So the Education Ministers and I agree that although there has indeed been a "turbulence in education" over the last 20 years it highlights rather than obscures two constants:

- (1) Each pupil has only one chance of a good education.
- (2) Good or bad, that chance is provided at enormous cost to the local ratepayer and the general taxpayer. The cost of schools alone in England this year is £7,220m, that in Scotland is £996m.

12. Sir Keith Joseph has well said that the education service has nowhere near achieved the target of giving each



child an education appropriate to his needs and that the task of his inspectors "is as great as ever". Mr Nicholas Ewards has also said that we need to make inspection more effective and ensure that the results of the inspections are taken more seriously and are acted upon by local authorities and their establishments.

The effectiveness of inspectorial action

13. Action is clearly seen by the Education Ministers to be necessary to secure a effective education for the nation's children and a good return for the large public funds put into education. It follows from the statistics quoted earlier that inspectorial action taken on behalf of the national interest as expressed by the Education Ministers must be selective. It must be guided to some degree at least by other relevant policies for education, including intended changes in the curriculum and examination, improving the quality of the teaching force and widening the scope for parental choice.

14. Choosing the right action to take is hard. I will not delay you with a dissertation on this. As a former Education Minister, you are familiar with these problems, including the fact that the inspectorate is not an "enforcement" body like some of those employed by other departments. We can take it as given that the Education Ministers continue to need professional advice and intelligence; that, in order to provide it, their inspectors should continue with survey work based on the inspection of schools and colleges, whether on particular "phases" or "subjects" or geographical areas; and that Ministers should be willing to publish the results. The critical question is, what action makes any difference on the ground?

15. The view shared by the Education Ministers and me is that broadcasting reports of surveys (eg the National Surveys of Primary and Secondary Education) and other work which establishes standards is necessary, but that in order to get



actual change on the ground, in either particular places or general things, substantial action must also be directed to such matters as these:

- Inspection of particular schools and colleges and of the standard of provision of particular local authorities.
- Prompt publication of the full reports of such inspections, eg of particular schools, in a way that will help create a well-informed body of parents.
- The problems of educating the children of immigrants.
- Managing large schools or colleges, an assignment for which there is all too little preparation.
- Follow-up to national reports.

16. All that is easy to say, less easy to deliver. Among other things, it means that the national inspectors will have not only to inspect but - having done so - to call a spade a spade in a way that is constructive. Ministers suggest that it may have implications for the workload and size of the inspectorate, style of writing and relationships with local authority and teacher organisations.

17. If the general interest of the people in having a good education is properly expressed by Ministers and if it is allowed to offset the much more vociferous claims of the educational pressure groups, I see no overriding difficulty about spotting targets and going for them, rather than creeping up on them slowly. There is no real conflict between "audit" and "advice". The auditor in business has no more authority to change what he



he is auditing than the schools inspectors, but he points out the strengths and the weaknesses he finds. The education system is said to be willing to accept - even if not at first with open arms - an inspector employed by central government. Indeed, I believe that the Education Ministers' inspectors are as a rule more welcome to teachers - especially perhaps in Scotland and Wales - than the local authorities' advisers, who may be seen as surrogates for the personnel manager since they usually have functions concerned with personnel management.

Relationships with local authority inspectorates

18. The Education Ministers are concerned with ensuring that the education programme as a whole gives value for money. But economy, efficiency and effectiveness at the local level are the responsibility of each authority. Ministers are not accountable to Parliament for local authorities' expenditure on education and have been reluctant to audit local government overtly. (It is, in my view, unfortunate and paradoxical that the best-reported publication by the inspectorate should be about the effects of retrenchment, given the distribution of responsibilities and the patchy quality of education already referred to.)

19. I find it difficult to assess the importance of the local authorities' own inspectorial and advisory services. At the time of the scrutinies these accounted for the following numbers.

	<u>Nos</u>	<u>Estimated cost (1980-81)</u>
England	1,850	£45m
Wales	139	£ 3m
Scotland	290	£ 7m
<u>Totals</u>	2,279	£55m



20. The coverage, quality and effectiveness of these services are variable. Mr Stuart's report for England says:

"There is also substantial variation in the amount of specialist advice available to individual LEAs. Most LEAs do not have a full-time adviser with responsibility for institutional Higher and Further Education and none has an adviser for teacher training other than for in-service training. On the schools side, there are only the full-time equivalent of 63 advisers for English, 79 for science, 74 for mathematics and 75 for modern languages and some LEAs have more than one adviser in these subjects."

21. However, the possession of an inspectorial or advisory service denotes the fact that it is a local authority, its governors, head teachers and principals who - between them - carry the responsibility for the education provided. Accountability is notoriously problematic in education, just as effectiveness is: the picture looks different to the eyes and interests of different onlookers. National and local inspectors have different perspectives because they have different employers. The degree to which local authorities interest themselves in audit and teachers will permit it powerfully influences the recruitment, organisation and use of local authority inspectors and advisers.

22. There is a tricky question here. The national inspectors cannot and should not bear the burden of audit alone. Nor would a frontal attack on the local authorities on this issue be likely to do much good. Determination, good example and stealth are the better approach. But there needs to be an agreed view on the goal and the speed of getting there.

23. The Education Ministers and I believe that one of the great issues of our time, and for the foreseeable future, will be guaranteeing that the State - whether central or local



government or the public sector industries or the NHS - is fully and actually responsive to the legitimate needs of ordinary people. Over a large part of the public domain, the balance between the people's interest and that of bureaucratized professionals has too long needed redress. So I believe that one of the most important issues arising from these reports is how to get local authorities to make a reality of their responsibility for audit.

24. Sir Keith Joseph's action document will therefore contain the result of his thinking on how to strengthen and improve the work of local authorities and their advisory services as part of the Government's general policies in relation to standards.

25. Mr Alex Fletcher has specifically qualified a recommendation from his examining officer, that local authorities should ensure, from within their own resources, that they are providing adequate and efficient education. He believes that while the recommendation is acceptable in principle, Scottish Ministers should not suggest any shift of responsibilities from themselves to local authorities because the pressures from parents, industry and the public point the other way and because local authorities have neither the right staff nor enough staff to carry out a monitoring function. Rather than increase the number of advisers or create local authority inspectorates, he would prefer to strengthen the responsibility of heads for the quality of the education they provide by increasing contacts between heads and his inspectors and by developing self-assessment within schools.

26. I respect Scottish Ministers' point of view and would not wish to second-guess their judgment in this matter. But I believe that the primary responsibility for audit must rest with the local authorities who pay the bills and that it should be part of Ministers' reasonable expectations that it is adequately



met, by whatever means are appropriate to the size and circumstances of the authority: if too small to maintain a good range of staff, the authority should hire auditors from other authorities or elsewhere in the education system. I myself would prefer to see that accepted as a principle of policy and its achievement worked towards over a sensible period, throughout the United Kingdom.

The policy for inspection

27. With variations appropriate to the differing circumstances of England, Wales and Scotland,* the Education Ministers propose to prepare statements of policy for their inspectors, perhaps in the form of the "action document" which, at the end of each scrutiny, translates their decisions into actions to be taken by named individuals. It would, I think, be sensible for you to see these before issue, given your interest in this subject and the references to children's opportunities at school and to strengthening the inspectorate in the 1979 manifesto.

28. It follows from the Education Ministers' response to the scrutiny reports that the policy for inspection should be related to policy for education and expressed in these terms.


- (1) The functions of inspections are
 - (a) to assess and audit education provision with a view to the underlying principle of the legislation, namely that each child should have an education appropriate to his or her needs; and
 - (b) to help Education Ministers form appropriate policies.

* Scottish Ministers believe that the education service in Scotland looks to the Secretary of State for a lead on most educational matters, a position they do not wish to see altered.



- (2) The objectives of inspecting individual schools; local authority areas; subjects; types of school organisation; age groups; teaching and management skills should be to provide
- (a) an objective and (in Sir Keith Joseph's words) implacable basis of judgment for parents, government, local authorities, teachers, teacher trainers, and other observers;
 - (b) practicable recommendations for change; and
 - (c) a basis for follow-up.
- (3) The same function of auditing the effectiveness of educational institutions is needed for further and higher education in the maintained sector and teaching training.
- (4) | The results of inspection should be published promptly. (I strongly agree with this.)

29. In preparing their action documents, I would hope that Ministers would show clearly whom they have designated to take what action to translate these broad propositions into effective action; over what timescale; with what desired effects; and with what arrangements for review. In my view, it is not a matter of endorsing what is, but of setting our hand to measures which, in the near future, are going to make for the better education of our children. That is too important to allow self-interest to stand in the way, something of which the Education Ministers have, I believe, no doubt at all.



OTHER ISSUES

30. The reports raise numerous issues, which the Education Ministers have in hand, but out of my reading of the reports and my talks with some of those concerned, including Sir Keith Joseph, inspectors, the examining officers and teachers, I should like to bring the following points to notice.

- (1) Inspectors include people of quality and substance, who have been achievers before joining the Civil Service. It is essential that they are allowed, by their own HQ and by their departments, to get on with a body of work which includes a good sufficiency of things on which they can be achievers as inspectors. This must include the ability to build up solid working relationships with local authorities and individual establishments. It must specifically exclude needless bureaucracy and running errands. An inspectorate working selectively must have a clear idea of what each inspector is to contribute to general exercises and what he himself is to achieve. A well worked-up strategy should include targets for individuals.

- (2) However, I am agnostic about the right size for the inspectorates. As the statistics show, they are much thinner on the ground in England than in Wales and Scotland. Sir Keith Joseph believes that his inspectorate must be kept at its present size in order to keep up the increased emphasis on audit, publication and follow-up; the Secretary of State for Wales says that he would like to keep an open mind and that a staffing review he had in hand might point to a change in the size of



his inspectorate; while Mr Alex Fletcher considers that any further reduction would weaken the Secretary of State's influence upon the education service in Scotland.

(3) I feel on much surer ground in relation to the question of recruitment. I do not believe that the inspectorate needs, in a time of social and technological change, to be staffed on the footing that everything needs to be covered in the permanent cadre and that everyone should be offered a lengthy career (up to 20 years). I think that the Education Ministers should be selective as to subject coverage and leave themselves substantial scope for bringing in people for special tasks on secondment, loan or short-term contracts. And I would put no difficulties of status in the way. The crucial points here are how best to respond to the here and now needs of the children and how best to tap the excellent pioneering work of teachers, for example in teaching poor children and in managing large schools and colleges.

(4) There will have to be some consultation with the education service after the completion of the action documents. This calls for determination to get early change and for judgment, assisted perhaps by the publication of the reports ^{and} most important, of the Ministers' policy statements. The general aim will be to offset the conservatism and defensiveness of the educational service with the crying need of parents and children for an auditor who is truly independent of but not unfriendly to the local providers.




CONCLUSION

31. I ask you to take note of this report and of the intentions of the Education Ministers.

32. If you are content, and especially with the assumption that the inspectorates should be retained but be much more directed towards audit, work now in hand to produce policy statements and action documents will be brought to a result which I shall report to you as a preliminary to publication.

33. I am copying this to the Secretaries of State for Education and Science, Scotland and Wales; the Minister for Industry and Education, Scotland; and, for information, to the Chancellor of the Exchequer and the Lord Privy Seal.


Derek Rayner
27 May 1982



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MS
B

DRAFT OF 21 MAY 1982

Mrs Imogen Wilde
Private Secretary to the Secretary of State
for Education and Science

SCRUTINY OF HM INSPECTORATES OF SCHOOLS

The Prime Minister has seen Sir Derek Rayner's report on the scrutinies carried out last year of the inspectorates in England and Wales and Scotland. She is very strongly of the view that the national inspectorates should be seen to be working on behalf of families, whose opportunity for a good education is too dependent on chance and locality, especially those who have few to speak up on their behalf.

Mrs Thatcher also thinks that because the use made of a national inspectorate must be selective, a lot of effort should be put into such problem areas as those identified in para. 15 of Sir Derek Rayner's submission and that the staffing of the inspectorate should be flexible enough to bring in teachers and others who are leaders in their field (para. 30(2) of the submission).

The Prime Minister would like to see these points reflected in the proposed policy statement and action document which she hopes will show how the Government intends to redress the balance between what Sir Derek Rayner calls the "people's interest and that of bureaucratised professionals" (para 22).

I am copying this to Muir Russell (Scottish Office)

Craig (Welsh Office), Stephenson (Scottish
Office), John Kerr, (Treasury), Jim Buckley (MPO) and
Elizabeth Thoms (Rayner unit).

Private Secretary

W.P.R. 39
1 21 4 80

1 JUN 1980

I am copying this to Muir Russell (Scottish Office)

Craig (Welsh Office), Stephenson (Scottish
Office), John Kerr, (Treasury), Jim Buckley (MPO) and
Elizabeth Thoms (Rayner unit).

Private Secretary



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

7 May 1982

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

Dear Michael

REFUSAL OF CUSTOMS FACILITIES AT WICK AIRPORT

Because of the possibility of political repercussions, the Prime Minister may like to be aware of the Chancellor's decision to support the Customs in their refusal to provide facilities at Wick Airport for an air service to the Faroe Islands, and the reasons for it.

The Civil Aviation Authority have licensed Air Ecosse to run a service from Aberdeen to the Faroes calling in at Wick twice a week on both the inward and outward flights. The CAA act independently and does not have regard in its decisions to the ability of HM Customs to provide facilities at non-Customs airports. We feel this is an unsatisfactory state of affairs and the Economic Secretary is now writing to the authority with a view to improving its awareness of the implications of its licensing procedures for Customs.

The aircraft to be used on the proposed service would have a maximum capacity of 12 passengers and those boarding or leaving the aircraft at Wick might well be no more than two or three. Indeed on some flights there could be no passengers at all.

The Customs have to cover for the Home Office (Immigration) at small ports and airports and it is a Home Office requirement that they should attend all flights to control the movement of non-UK residents. The Chancellor will be taking this up with the Home Secretary. The aircraft will also carry freight, thus involving Customs attendance to certify export or to provide clearance for imported freight.

A recent Rayner study on Customs attendance at ports and airports (in which the Prime Minister has expressed a particular interest) is still the subject of Ministerial consultations. That study identified as an important potential source of economy in Customs operations the elimination of Customs attendance at ports and airports where

MAP / To be aware. NBPM at this stage,
MP I think.
WML
WJS



Customs officers cannot be fully employed because of the inadequate volume of traffic. Sir Derek Rayner himself strongly supports this objective. To concede the claim for Customs clearance at Wick would be directly contrary to the conclusions of this study. The amount of time taken up in providing Customs facilities would be out of all proportion to the amount of work actually involved by the flights, and there would inevitably be a limit to the officer's ability to fit in other work.

The provision of Customs staff in such circumstances is not compatible with the Government requirement for efficient working methods in the public service. HM Customs and Excise are in no way exempted from the campaign to reduce Civil Service manpower. They have already lost well over 2,000 staff and they are expected to make further reductions in pursuance of the April 1984 target.

Had Customs not refused to provide facilities at Wick, there would have been repercussions elsewhere. It would have been extremely difficult for them to refuse concessions at a number of other airports demanding similar services some of them with the prospect of handling much more traffic than Wick. Furthermore it would have been made even more difficult for the withdrawal of uneconomic facilities at ports and airports whom already have them.

A number of representations have been received from local interests. The Secretary of State for Scotland and the local MP, Robert MacLennan, have also approached the Chancellor. Given local sensitivities in the Highlands and Islands, some political repercussions are inevitable. But the Chancellor felt it right to stand firm on the commitment to promote efficiency and economy in the public service.

I am copying this letter to Clive Priestley.

*Yours ever
Peter*

P S JENKINS
Private Secretary



- 7 MAY 1982

CONFIDENTIAL

Sir Derek Rayner

my father / y m my like to see the
MB
cc for information *lh*
W/S

Mr Rickett

Some made.

REVIEW OF PERSONNEL, ESTABLISHMENTS AND FINANCE IN THE FCO
AND ODA

1. I had a visit this morning from a team consisting of Mr R M Russell, Deputy Chief Clerk and Chief Inspector, FCO; Miss J H Bacon, AS Machinery of Government, MPO; and Mr N J King, AS Staff Inspection, Treasury. They are about to report to higher management in the FCO and ODA on whether a merger of functions and staff in the areas noted above would offer a more effective and economic way of providing these services and on what arrangements should be made for managing the ODA after Sir Peter Preston's retirement.
2. This assignment follows the advice which we gave the PM in April 1981 about a report on FCO/ODA common services, namely that the costs of the obstacles to integrating personnel management, financial and manpower control should be re-examined in the light of what had been learnt from bringing together activities which the two Departments had already decided to integrate.
3. It is the unanimous view of the review team that there are no substantial advantages to be had from merging the common service functions they have been looking at which would offset the interruption of other business. There are some cost savings to be had (around £200,000 in 1980 prices) but these, in the team's view, nowhere near compensate for the damage which would be caused by interrupting some current management work of a very difficult kind, including - on the ODA side - the run-down of the scientific units, the run-down and re-location of the Directorate of Overseas Survey and the management of the dispersed staff in East Kilbride. They believe that if a full-scale merger of the Diplomatic and Home Civil Service staffs of FCO/ODA were in contemplation, the merger would be necessary, but it is not and there is no prospect that it will be during the course of this Parliament. On the finance side, the team argue that there

is a substantial advantage in having a separate management for the substantial Overseas Aid budget; this is also the view taken in the past by the relevant Expenditure Division in the Treasury.

4. Having read last year's papers again this morning; having heard Mr Russell's arguments; and taking account of the present load on FCO Ministers I concluded that, while in an ideal world we might continue to press for the merger, there is little point in doing so at this time. It is certainly the case that both Departments have a substantial burden of policy and management work and there is little to be gained by tinkering with the organisation of the staffs on whom much of the burden will fall.

5. I accordingly told the team that I would note the file to the effect that we had had this discussion; that I saw no merit in pressing for the merger at this time; and that I thought the issue should be settled by Ministers in the two Departments, without reference back to the Prime Minister, given all the other pressures on her time.

6. With regard to the higher management of the ODA, it seems certain that the team will recommend that the top post should be downgraded to that of Second Permanent Secretary, as opposed to full Permanent Secretary (which is, I believe, an arrangement personal to Sir Peter Preston). They are also likely to propose that the number of Deputy Secretaries should be reduced from 2 to 1.

7. I told the team that neither you nor I had any special knowledge of the higher management of ODA to contribute and that you should not be regarded as a hurdle on the course which the team had to clear in presenting their report. However, I added that you had a good personal relationship, reasonably active, with Sir M Palliser and Sir P Preston and that you would be meeting Sir A Acland in the reasonably near future. If it was

likely that you yourself could be helpful to Ministers or senior officials, I was sure that you would be.

97

C PRIESTLEY

7 May 1982

T F Mathews Esq
HM Treasury

Mh on financial management file. WH 7/5

FINANCIAL MANAGEMENT

1. The Prime Minister was grateful for the Chief Secretary's minute of 28 April. She is content that Mr Brittan should let her have a draft covering minute to Ministers in charge of departments launching the initiative. *But*
The ~~Prime~~ ^{she} Minister has asked me to make three other points.

2. First, Mrs Thatcher thinks that the joint note, or the covering minute, should say something about the cost of the initiative. It would be better to anticipate criticism on that score than to have to respond to it. The Prime Minister's own view is that the cost should be slight in comparison with the expected benefits.

3. Secondly, the Prime Minister sees no prospect of an early meeting on co-ordination. If there is an opportunity later, she would like to come back to this. In the meantime, she would like Sir Derek Rayner to represent her interest in the organisation of the initiative and she has asked Sir Derek *would be very grateful if the Chief* to arrange for himself and his unit to be closely *involved* associated with it.

Secretary combt Mrs Thatcher has also asked me to say that she *welcome brief* would like a note in due course on *the* outstanding questions with regard to the control of departmental running costs, which *was* *were set out in my letter to Adrian Carter of 15 March, and which were originally to have* the original purpose for the meeting to have been held on *fixed for* 27 April. *been discussed at*

4. Finally, the Prime Minister regards the quality of people as critical to good financial management. ~~While~~ She welcomes what ^{is} ~~it~~ said about training in the Chief Secretary's note, and in the Lord Privy Seal's minute. ^{But (would like to} she ~~suggests~~ that ^{when} the note ^{is} ~~when~~ sent to departments ^{it} should include a firm ^{policy} statement by the Treasury ^{and MPO. Advice} ~~about its policy~~ with regard to the accept-
^{and experience} ~~ability~~ ^{needed by} of candidates for appointment as Principal Finance Officers, ^{needed by} and about that of officers taking up other key posts as financial managers or advisers in departments.

5. I am copying this to the private secretaries of the Lord Privy Seal, the Minister of State (Commons)(Treasury), Sir Robert Armstrong, Sir Douglas Wass, Sir Anthony Rawlinson, and Mr Cassels ^{Sir Derek Rayner,} ~~and to Christopher Joubert in the Rayner Unit.~~

Private Secretary

DRAFT OF 6 MAY 1982

J Buckley Esq
Management and
Personnel Office

TRAINING IN FINANCIAL MANAGEMENT

1. The Prime Minister has seen the Lord Privy Seal's minute of 30 April, for which she was grateful. She looks forward to receiving a further report later in the year as promised and would like her encouragement made known to those concerned. *I have reminded her,*

Re ~~Mr Thatcher's~~ comments on the training aspects of the initiative ~~are contained in my~~ ^a letter ^{that I have sent} to Terry Mathews ~~at~~ ^{today} (copy enclosed).

3. I am copying this to the private secretaries ~~of~~ ^{to} the Chief Secretary, the Minister of State (Commons)(Treasury), Sir Robert Armstrong and ~~to Christopher Joubert in~~ Sir Derek Rayner's office.

Private Secretary

Govt. Secy.

Wh
29/4

01 211 6402

C Priestley, Esq
Cabinet Office
70 Whitehall
London
SW1A 2AS

29 April 1982

Dear Aue,

THE EFFICIENCY STRATEGY 1982: SCRUTINY OF ENERGY CONSERVATION

Thank you for your letter of 30 March. As requested, I attach a proforma on the scrutiny of the Government's effort on implementing its energy conservation policies.

As you know, Eliot Finer started work on the scrutiny on 1 April. The attached terms of reference are those he agreed with Ian Beasley when they met on 2 April.

We agree that Eliot Finer should not be debarred from raising questions of policy if he feels led to do so by the course of his enquiries.

I am copying this letter to the recipients of yours.

Yours ever,



JULIAN WEST
Private Secretary

PROFORMA FOR RAYNER SCRUTINY OF ENERGY CONSERVATION

SUBJECT: Government's effort on implementing its energy conservation policies.

COST : Total Government expenditure on energy conservation in 1981/82 was some £150m (breakdown by Department attached). Some of this was spent by local authorities on implementing central Government policies (eg home loft insulation scheme).

REASONS

1 The need to improve energy efficiency affects all sectors of the economy. Within the Government a large number of Departments are involved in work on energy conservation and there is a large number of programmes. The Department of Energy is responsible for developing energy conservation policy and operates cross sectoral programmes. Other Departments exercise responsibility in their specific areas (eg the Department of Transport in the transport sector).

2 The arrangements for work on energy conservation have developed over time and in an ad hoc way. The division of responsibilities between Departments is not altogether clear. In some cases the work is very different from the bulk of the work of the Department doing it (eg Department of Energy). Moreover, arrangements introduced by the present Government to give greater responsibility to local authorities and other public sector bodies to take their own decisions on expenditure within the total resources available to them has meant that decisions about expenditure on energy conservation have become more dispersed than was previously the case.

3 There is wide interest outside the Government in the arrangements for coordination of work on energy conservation. The House of Commons Select Committee on Energy in a current inquiry has been examining the arguments for and against greater centralisation of energy conservation work in the Department of Energy and even for the establishment of an Energy Conservation Agency.

4 We therefore see a need to examine whether present arrangements both within the Department of Energy and in the Government generally are adequate to secure effective implementation of relevant Government policies, and to recommend how to rectify any deficiencies. These are the aims of the scrutiny.

TERMS OF REFERENCE

To examine on the basis of the Government's policy to promote the efficient use of energy and all other relevant Government policies:

- a) the way in which work on energy conservation is handled and organised in the Department of Energy;
- b) the relationship in this area between the Department of Energy and other Departments and organisations;
- c) the level of resources devoted by central Government to energy conservation in the rest of the public sector, in industry and commerce, and in the domestic sector; the efficiency with which those resources are deployed; and the effectiveness of the results;

and to make recommendations.

Proposed Starting and Finishing Date

1 April 1982 - September 1982

Examining Officer and Ministerial Reporting Arrangements

The Examining Officer will be Dr E G Finer who will report to Mr Mellor, the Parliamentary Under Secretary of State with responsibility for energy conservation work and for manpower and efficiency in the Department of Energy.

27 April 1982

ENERGY CONSERVATION EXPENDITURE PROGRAMMES - SUMMARY

	£ (estimated) 1974/75
Department of Energy	9.527
Department of the Environment	49.8
Department of Industry	21.317
Department of Education and Science	33.9
Department of Health and Social Security	9.13
Ministry of Defence	4.8
Department of Transport	0.731
Department of Employment	3.4
Ministry of Agriculture, Fisheries and Food	1.038
Scottish Office	7.55
Welsh Office	4.35
Northern Ireland Office	3.482
	<hr/>
TOTAL	£149.025
	<hr/>

Prime Minister 2

WH
27/4



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon John Biffen MP
Lord President of the Council
Cabinet Office
Whitehall
London SW1A 2AS

26 April 1982

2 Jm,

WH

on Pt 10.

I wrote to Francis Pym on 23 December about the need for changes in the way in which Parliament pays for supplies from HMSO and CCTA.

All Government Departments have now moved to the repayment system: each Department pays HMSO and CCTA for such supplies, with the cost appearing on the Department's Vote. This makes Departments more aware of the cost of the supplies, and acts as a stimulus to efficiency and economy.

Supplies to the two Houses of Parliament still remain on the old allied service basis, which means in effect that they are supplied free to the users. This is now a unique anomaly. It is wrong in principle and inconsistent with proper financial control. It should be brought to an end, and the same principles applied to Parliament as to Government Departments, with the cost of their supplies put on their own Votes.

PAC are already on to these points in the case of HMSO supplies to Parliament and may well report critically of present arrangements.

When I took this up with Francis Pym, he suggested that as a first step the matter should be raised in the House of Commons Commission, who had already asked their officials to examine the possibility of moving towards repayment. I understand that when the Commission considered the matter at a meeting before Easter they were not disposed to change the present arrangements, but noted that Francis Pym would consult his Ministerial colleagues and might raise the matter again.

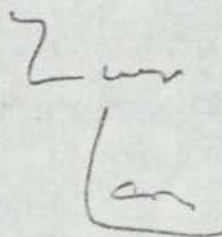
This reaction by the Commission is disappointing. I am sure that we cannot leave the matter there. The Commission recognised that the Leader of the House might want to raise the matter again after consulting colleagues. The purpose of this letter is to

ask you please if you would kindly do so.

Perhaps the Treasury should now put in a paper to the Commission, formally putting our proposal to move to repayment. I should be very willing to do this, and if you think fit, to join you at a meeting of the Commission, to explain why we want to bring Parliament into line with the current arrangements.

The Treasury will of course be glad to give any other help you think would be useful.

I am sending copies of this letter, as before, to the Prime Minister and Janet Young, and to Sir Robert Armstrong and Sir Derek Rayner.

A handwritten signature in dark ink, consisting of a stylized 'L' followed by 'e' and 'n', and a separate 'B' followed by 'r' and 'i'.

LEON BRITTAN



27 APR 1982

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Circled

Mr RICKETT



Put on file pl

LM
13/5

FINANCIAL MANAGEMENT

I attach a paper, as requested by the Prime Minister, for the meeting intended for 27 April with the Chief Secretary, Lord Privy Seal and others^{and} now postponed. It is copied with this minute, to the private secretaries to the Chief Secretary; Lord Privy Seal; Minister of State (Commons), HM Treasury; Sir Robert Armstrong; Sir Douglas Wass; Sir Anthony Rawlinson; and Mr Cassels. A copy also goes to Sir Derek Rayner.

C J P Joubert

C J P JOUBERT
26 April 1982

(273 3434)

THE REFORM OF FINANCIAL MANAGEMENT: OBJECTIVES AND CO-ORDINATION
OF CERTAIN POLICIES AND INSTRUMENTS

1. The Prime Minister asked for a paper on the objectives and co-ordination of the proposed campaign for the improvement of financial management; this year's review of systems for controlling running costs in a sample of departments; and the continuing annual scrutiny of departmental running costs.

2. The three exercises noted in paragraph 1, together with other relevant work referred to in paragraph 10, are presented in this paper as elements in a single programme for a lasting reform in financial management.

Central Initiative on Financial Management

3. The main strategic instrument in this programme is the initiative on the improvement of financial management which is shortly to be launched by the Treasury and MPO.

4. Its objectives are in each department:

- (1) The clarification of departmental objectives.
(And, wherever possible, the assessment and quantification of "outputs" or performance in relation to those objectives.)
- (2) The definition of the responsibilities of managers, at all levels, for making the best use of resources. (And, wherever possible, the identification of "cost" or "responsibility centres".)
- (3) The development of management accounting to provide managers with the information and the pattern of accountability required for effective management.

These objectives go wider than developing good systems of financial control and the information needed to support them. They also involve questions of the management and organisation of each department and the allocation of responsibilities within it.

5. The Treasury and MPO memorandum will ask departments to develop and define a programme of work for the improvement of financial management by the end of January 1983 and to discuss it with the Treasury and MPO. Departmental programmes should

- (1) build on such recent work as MINIS and "Joubert" in DOE, the management consultancy studies in MAFF and DOI, the "Reeves studies" in MOD etc;
- (2) observe certain common criteria set out in the memorandum;
- (3) specify stages and target dates.

6. One of the stated criteria is that each department should have an effective system for the budgeting and control of running costs. The two other specific exercises referred to in paragraph 1 are designed to contribute directly to that objective in the following ways.

Review of Departmental Running Cost Control Systems

7. Experience with the annual scrutiny of running costs showed that merely compiling data about running costs and subjecting them to a "top down" scrutiny does not by itself produce better management and control or reduce consumption. The "Joubert" scrutiny in DOE (Central) and other recent work showed that what is needed is to fix responsibility and accountability for costs at the lowest level possible. This means:

- (1) strengthening each department's own central control arrangements; and crucially
- (2) clarifying the responsibility of individual managers.

8. Hence the review of six departmental running cost control systems was originally devised and included in the "efficiency strategy" for 1982, as a one-off exercise aimed at:

- (1) improving those departmental systems as necessary; and
- (2) improving such systems across the Service more generally.

The Annual Scrutiny of Departmental Running Costs

9. The annual scrutiny (run this year for the third time) is intended to lead to improvements in departmental control systems and to provide the Treasury with data as a basis for further action with departments. The main objectives of current work are these:

- (1) to make the scrutiny as economical and well adapted to its purpose as possible. (An official working party is engaged on this, under Treasury chairmanship, with a report to Ministers in June); and
- (2) to see that the information provided by the scrutiny enables departments to take action on particular blocks of expenditure or on their systems of control and management; and enables the Treasury to select particular aspects for more detailed investigation.

10. With regard to (1) above, current Treasury thinking suggests that departments should go on with the scrutiny as a separate exercise until they have effective management information systems which enable them to allot running costs to programme or operational expenditure. The annual scrutiny should be used in the interim but certain improvements are needed to make it more usable.

- (1) The data to be examined should be more up-to-date and thus more relevant to budgeting. They should be provided at the time when departments are preparing Estimates for the next financial year.
- (2) There should be more common ground between the data used in the scrutiny and those used in the Estimates.
- (3) The material presented to the Treasury should contain fewer detailed tabulations, constructed on a uniform basis as between departments, and much more commentary on significant facts (eg movement in blocks of expenditure) or ratios. (The production of runs of data over time will help with this, as will work now in hand on developing ratios and performance indicators.)

Other Relevant Work

11. Other work in the "efficiency strategy" 1982 is also relevant to the drive for improved financial management. In particular, the programme of resource control reviews in large executive organisations (eg the prisons, RAF support and PSA district works) is designed to produce both immediate improvements in efficiency and better continuing arrangements for the management and control of resources. Also relevant is the programme of joint MPO/departmental cost-effectiveness studies

of common activities (eg typing, messengerial services, stores transport etc); beyond immediate cost reductions, the programme is leading to the issue of guidelines for the more effective management of these activities.

Co-ordination

12. The Treasury and the MPO are both directly concerned. The Treasury is in the lead on financial management and the annual scrutiny, the MPO in the "one-off" reviews. But improved financial management cannot be separated from the general objective of greater managerial effectiveness and efficiency. The two departments must therefore act closely together throughout. The mechanism for ensuring that this co-ordination is achieved is the Joint Management Board, comprising the joint heads of the Civil Service, Sir A Rawlinson and Mr J S Cassels. In addition, Sir Derek Rayner is directly associated with all three of the main exercises, as well as having a general interest in tackling the subject of "managerial effectiveness and efficiency" through such specific exercises as departmental scrutinies.

13. Within that framework, the organisation of the work to be done on behalf of Ministers is best seen in terms of specific tasks assigned to specific people and making the necessary connections between these. Operational responsibility is allotted as follows:

<u>Exercise</u>	<u>Department and Minister</u>	<u>Lead Official</u>
Financial Management initiative	Treasury and MPO; Chief Secretary and Lord Privy Seal	Mr R W L Wilding (Chairman, Financial Management Co-ordin- ation Group)
Annual Scrutiny	Treasury, Minister of State (C)	Mr J S Cassels Mr R W L Wilding

<u>Exercise</u>	<u>Department and Minister</u>	<u>Lead Official</u>
One-off review of systems; programme of resource control reviews; and management guidelines for common activities (para. 11).	MPO; Lord Privy Seal	Mr J S Cassels

14. The necessary co-ordination at "working level" between the Treasury, MPO and Sir Derek Rayner's unit will be secured both formally and informally as the need arises in the course of business.

Conclusion

15. The Prime Minister, the Chief Secretary, the Lord Privy Seal and the Minister of State (Commons) (HM Treasury) are invited to say whether they are content with:

- (1) the objectives of the various exercises in hand (paragraphs 3 to 11); and
- (2) the arrangements for co-ordination and responsibility here noted (paragraphs 12 to 14).

C J P JOUBERT
23 April 1982

(Rayner Unit, Management and Personnel Office,
Whitehall, SW1)

21 APR 1982



PERSONAL

Mr RICKETT

I have spoken to Mr Priestley on 21/4

*Govt
Mach*

MINIS

I attach a copy of the draft paper which I have sent to the Treasury, MPO and Sir Robert Armstrong for comment and which, in its final version, is intended to provide at the PM's intended meeting on 27 April a basis for discussing the objectives and co-ordination of the exercises noted in para. 1.

2. I understand that the Treasury will be reporting separately, whether on paper or orally is not yet clear, on the PM's questions about the control of running costs which originally gave rise to this meeting.

3. The purpose of this minute is first to ask whether, assuming that the meeting holds, the paper is constructed in a way likely to be helpful to the Prime Minister, given all the other pressures on her reading time.

4. Secondly, you may like to have advance warning that there has been much to-ing and fro-ing on the possibility of setting up - between the Treasury and MPO- a temporary (12 month) team of officials and management consultants to be available to assist departments in responding to the Treasury's "systematic campaign". This was the idea of senior people in MPO; has the reluctant acquiescence of Treasury officials (who would prefer that it was not on the cards); is doubted by the Lord Privy Seal; and generally opposed by Sir Derek Rayner, who thinks that the Treasury and MPO should get on with their respective tasks; with sound co-ordination but without a fifth wheel. It is too soon to say whether the "team" idea is dead - it hasn't lain down yet - but I doubt whether the PM would find it attractive when it came to her (if it did).

5. Perhaps we can have a word on the phone?

CP
C PRIESTLEY
20 April 1982
233 8550

Enc: Draft paper

DRAFT OF 19 APRIL 1982

THE REFORM OF FINANCIAL MANAGEMENT: OBJECTIVES AND
CO-ORDINATION OF CERTAIN POLICIES AND INSTRUMENTS

1. The Prime Minister asked for a paper on the objectives and co-ordination of the Treasury's proposed systematic campaign for the improvement of financial management; this year's review of systems for controlling running costs in a sample of departments; and the continuing annual scrutiny of departmental running costs.

THE GOVERNMENT'S POLICY FOR RESOURCE MANAGEMENT AND CONTROL

2. The three exercises noted in para. 1 are presented in this paper as three elements in the programme for a lasting reform in financial management.

3. The Treasury's systematic campaign is the main strategic instrument in that programme. The simplest way to see the relationship between it and this year's review and the annual scrutiny is to regard them as being parts of it and supporting it. But the policy of effective control over administrative costs, to which the review and the annual scrutiny relate, is important in its own right, as well as being part of the larger whole.

OBJECTIVES OF THE TREASURY'S SYSTEMATIC CAMPAIGN

4. The objectives of the Treasury's proposed campaign are, for each department:

- (1) The clarification of departmental objectives.
(And, wherever possible, the assessment and quantification of "outputs" or performance in relation to those objectives).
- (2) The definition of the responsibilities of managers, at all levels, for making the best use of resources.
(And, wherever possible, the identification of "cost" or "responsibility centres").
- (3) The development of management accounting to provide managers with the information and the pattern of accountability required for effective management.

5. A secondary objective of the campaign is that each department should have an effective system for the budgeting and control of running costs.

RELATIONSHIP BETWEEN THE TREASURY'S SYSTEMATIC CAMPAIGN,
THE REVIEW AND THE ANNUAL SCRUTINY; AND THEIR OBJECTIVES

6. The Treasury's plan for its systematic campaign gives departments until the end of 1982 to develop and define a programme of work for the improvement of financial management and to discuss it with the Treasury and MPO. Departmental programmes should:

- (1) in terms of logistics, be divided into stages, with target dates specified and
- (2) in terms of substance, draw on the work done recently in other departments (notably MINIS and "Joubert" in

DOE; the management consultancies in MAFF and DOI; the "Reeves" studies in MOD; and last year's review of supporting services in R & D establishments) and on work in train this year (including the review of running costs in a sample of departments; the review of certain executive operations, eg the Prison Service, RAF Support, in another sample; and the review of personnel management in nine departments.)

7. The Treasury plan will indicate the criteria to be adopted by Departments in securing satisfactory arrangements for financial management.

8. As already noted the review of systems for controlling running costs and the annual scrutiny are best seen as parts of the wider Treasury strategy. The background and objectives are these:

(1) Experience with the annual scrutiny showed that merely compiling data about running costs and subjecting them to a "top down" scrutiny do not produce better management and control or reduce consumption. The "Joubert" scrutiny in DOE (Central) and other recent work showed that what is needed is to fix responsibility and accountability for costs as low as reasonable.

This means:

- (a) strengthening each department's own central control arrangements, and crucially
- (b) clarifying the responsibility of individual managers.

(2) Hence the review of six departmental running cost control systems was originally devised and included in the "efficiency strategy" for 1982, as a one-off exercise aimed at:

(a) improving those departmental systems as necessary;
and

(b) improving such systems across the service more generally.

(3) The annual scrutiny of departmental running costs (to be run this year for the third time) is intended as an instrument of control, for top management in departments and for the Treasury. The main objectives of current work are these:

(a) To make the scrutiny as economical and well adapted to its purpose as possible. (An official working party is engaged on this, under Treasury chairmanship, with a report to Ministers in June.)

(b) To use the information provided by the scrutiny to take selective action on particular blocks of expenditure, or on departmental systems of control and management, which appear to require attention by the Treasury.

(4) With regard to 3(a) above, current Treasury thinking suggests that departments should go on with a separate display of running costs until they have systems which enable them

to allot running costs to programme or operational expenditure. The annual scrutiny should be used in the interim, but certain improvements are needed to make it more usable:

- (a) The data to be examined should be more up to date and thus more relevant to budgeting. The data should therefore deal with the expected out-turn. The data should be provided at the time when departments are preparing Estimates for the next financial year.
- (b) There should be more common ground between the data used in the scrutiny and those used in the Public Expenditure Survey and in Estimates.
- (c) The material presented to Ministers should make less use of detailed tabulations, constructed on a uniform basis as between departments, and much more of commentary on significant facts (eg movements in blocks of expenditure) or ratios. (The production of runs of data over time will help with this, as will work now in hand on developing ratios and performance indicators).

CO-ORDINATION

9. Because the objectives of the "systematic campaign" extend to the improvement of all forms of management, and are not limited to financial management, the policy responsibility for it is shared between the Treasury and the MPO. Both departments will contribute to the work, although a much larger effort will be required of the Treasury on financial management for which it is responsible, than of the MPO. Sir Derek Rayner

is associated with all three exercises.

10. The organisation of the work to be done on behalf of Ministers is best seen in terms of specific tasks assigned to specific people and making the necessary connections between these. Operational responsibility is allotted as follows:

<u>Exercise</u>	<u>Dept. and Minister</u>	<u>Head Official</u>
"Systematic campaign"	Treasury; Chief Secretary	Mr R W L Wilding (Chairman, Financial Management Co- ordination Group)
Annual Scrutiny	Treasury; Minister of State (C)	" "
One-off review of systems	MPO; Lord Privy Seal	Mr J S Cassels

11. The arrangements for co-ordination are as follows:

- (1) Insofar as the three exercises contribute to the "efficiency strategy" and "targets for 1982", they are overseen as necessary by a Joint Management Board comprising the Joint Heads of the Civil Service and Sir A Rawlinson and Mr J S Cassels.
- (2) Within the Treasury, Mr Wilding is responsible for co-ordinating the corporate effort of those involved in the systematic campaign; for its administration; and for making sure that relevant lessons are drawn from other exercises.

- (3) As between the Treasury, the MPO and Sir Derek Rayner's Unit, co-ordination is achieved both formally and informally as the need arises in the course of business, with a deliberate effort to avoid unnecessary elaboration of arrangements.

CONCLUSION

12. The Prime Minister, the Chief Secretary, the Lord Privy Seal and the Minister of State (Commons)(HM Treasury) are invited to say whether they are content with

- (1) the objectives of the three exercises as here stated (paras. 4 - 8); and
- (2) the arrangements for co-ordination here noted (paras. 9 - 11).

Rayner Unit
Cabinet Office

19 April 1982

20 APR 1982





DEPARTMENT OF ENERGY
Thames House South
Millbank
London SW1P 4QJ

Tel: 01 211 4391

With the Compliments of

the

Permanent Under-Secretary of State



SIR DONALD MAITLAND GCMG OBE
PERMANENT UNDER SECRETARY OF STATE

4/19/82
DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

01-211 4391

14 April 1982

Dear George,

RAYNER SCRUTINY OF ENERGY CONSERVATION

A Rayner Scrutiny is to be carried out by a member of this Department which will touch on the work of your Department. The scrutiny is into the Government's effort on implementing its energy conservation policies. Terms of reference are attached. Derek Rayner has told me that this will be a "particular interest" scrutiny; this means that he takes a closer interest than for normal Rayner studies in the work of the scrutineer and the working out of recommendations, and informs the Prime Minister of the outcome.

The scrutineer is Dr E G Finer, an Assistant Secretary recently posted to Energy Conservation Division. He will be in contact with relevant members of your Department and of other Departments to whose Permanent Secretaries (list attached) I am sending a copy of this letter.

Yours ever,

Donald

G.W. Moseley, Esq., CB
Permanent Secretary
Dept. of Environment
2 Marsham Street
London SW1

ENC.

None for the file

MR RICKETT

I have told
Mr Priestley that the Chancellor
should sort this out since the
something is of his Department.

WM
13/4

SCRUTINY OF CUSTOMS ATTENDANCE

I realise that these are not propitious days for seeking the Prime Minister's attention. But I should be grateful if you could take a look at the attached draft submission covering difficult issues of principle which Ministers have so far been unable to resolve.

2. I should perhaps say that the draft has not yet been seen by Sir Derek Rayner. Though it has been cleared with Customs and Excise and with the Chancellor of the Exchequer who has commented that he is "entirely content with the draft, which he thinks is a very good one".

3. I should be grateful for your advice on handling. In one sense some of the urgency has gone with the changes at Ministerial level. But if Customs are to press on with follow up involving legislation (such as the bonded agents scheme) they will need to do so quickly if they are to make the Finance Bill next year. So, subject to your comments I would see merit in an early submission to the Prime Minister on the attached lines.

I
B

IAN B BEESLEY

7 April 1982

CONFIDENTIAL

DRAFT OF 6 APRIL

PRIME MINISTER

THE SCRUTINY PROGRAMME 1981 : CUSTOMS ATTENDANCE

This minute advises you of progress with the scrutiny of attendance arrangements for customs officials at ports, airports and inland clearance depots. You asked me to take a particular interest in the scrutiny on your behalf.

Findings and recommendations

2 There are currently more than 1500 places approved for the loading and unloading of goods and the movement inwards and outwards of passengers. Attendance is provided at the general taxpayers' expense during a "free" period of normal working hours which varies according to local need.

3 There are about 7000 field staff concerned with the application of revenue and preventive controls. Many work shifts and overtime outside these "free" hours in order to facilitate the movement of passengers and meet the requirements of the import/export trade. Attendance outside working hours at the request of commercial concerns has been provided by Customs almost as a matter of course until recently when cash limits and reduced manpower have dictated a less generous approach towards facilitation. The charges currently levied for such attendance only partly cover the extra costs (about £4 million in 1980 compared to extra costs of £11 million). No charge is made for clearing passengers at any time of the day or night.

? 4 Mr St Quinton draws attention not only to the extent to which the general taxpayer picks up the bill, but also to the manpower implications of operating shift systems, which are especially uneconomic when, as for example, at Folkestone a

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full shift has to be worked to clear a single ferry in the small hours - exacerbated when further staff have to be called out to deal with two ferries docking simultaneously at night.

5 The report's main proposals are:

- (a) to standardise a uniform period of "free" hours (except at the minority of locations where there is already 24-hour working);
- ~~(b)~~ to charge at one full economic rate rather than the present range of rates (some of which have been held at uneconomic levels by successive administrations) for out-of-hours attendance for the clearance of freight; ~~and~~ to look sharply at the justification for continuing to provide a service at locations where such attendance is prohibitively expensive;
- (c) to introduce for the first time a system of charging for the out-of-hours clearance of passengers on a similar basis; ~~and~~
- (d) to establish more rigorous criteria for assessing where and when new facilities for customs clearance should be provided and to institute regular reviews of the use of existing levels of facilitation.

The proposals to standardise hours and to charge one full economic rate would introduce a simple, rational system in place of the current system which is beset by anomalies and exceptions and which has never succeeded in keeping pace with the true costs of providing Customs attendance.

~~5~~ The effect of an economic charge ^{for freight clearance} would be to increase the overall costs to private business by about £1.5 million a year, ~~and to reduce or possibly terminate the service provided by Customs at a few small airports and inland clearance depots.~~

6 Looking critically at the justification for providing attendance at uneconomic locations would

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^{This}
The latter would lead to modest savings of staff (of the order of 30-40 according to the examining officer).

7 The proposal to charge for passengers would impose a significant new expense on aircraft and ferry operators. It is estimated that the overall additional cost to them - doubtless to be passed on to their passengers in the shape of increased fares - would be something in the region of £5.5 million per annum.

8 The proposals for regularly assessing and reviewing where and when facilities should be provided are not susceptible of useful quantifications but they are perhaps the most important for Customs. The best prospect of coping with future growth in trade and passenger traffic without lowering standards of control lies in exercising a greater discipline in the policy of canalisation, in achieving the most economic balance in the distribution of resources between the ports and inland and in adopting a more rigorous approach to requests for facilities to be varied or extended.

Ministers' decisions

9 Ministers have not reached agreement on the recommendations. Customs is one of the Chancellor of the Exchequer's departments but much of its work is also conducted on behalf of other Ministers, notably the Secretary of State for Trade, ~~and the Home Secretary.~~

10 Treasury Ministers accept that there are economic, social and likely political consequences of the proposals. Nevertheless the Economic Secretary argues that on grounds of efficiency they should be pursued. He acknowledges that individual ports and airports should be considered on their merits as to which category of "free hours" they qualify but he would prefer to see customs attendance provided at true economic costs. On the question of limiting facilitation the Treasury view is that if demand falls below the level which originally justified the provision of facilities, it is logical to withdraw or restrict them. This should enable Customs to give a better service than would other-

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wise be the case at the places and the times where there is a fully justified need.

11 The Treasury view on the proposal to extend the charging arrangements to include the out-of-hours clearance of passengers is that it should be accepted, since it is not right that the high cost of providing the attendance should fall on taxpayers in general.

12 Outside the Treasury the report has been seen by the Secretaries of State for Trade, Industry, Transport, Scotland, Wales and Northern Ireland. All are in varying degrees opposed to the main thrust of Mr St Quinton's proposals notably on account of:

- extra costs on business
- limitation on facilities
- political repercussions (especially from the proposals about provincial airports and fees for passenger clearance).

The view generally taken by these Ministers is that the difficulties for Customs in reconciling, on the one hand, the need to respond to changes in the pattern of traffic or trade with, on the other, an increasingly compulsive requirement to make efficient use of reduced manpower is a matter to be resolved by improvements in internal efficiency rather than by imposing additional burdens on the private sector.

Comments

13 I very much agree that Customs must set about internal improvements as well as raise the wider issues. Mr St Quinton's report suggested a number of good target areas including:

- reducing the costs of handling import documentation;
- making more flexible use of staff;
- using part-timers;
- developing a bonded agents scheme.

14 Treasury Ministers are pressing ahead to improve internal efficiency and have, for example, included a scrutiny of import entries in the 1982 programme. Action is also in hand to see how a bonded agents scheme can be made to work.

15 But all this is unlikely to be enough to solve the recurrent difficulty of management. There are four chief issues of principle concerning how central government organises customs work.

(a) How can the view of some Ministers that there should be no restriction on the provision of customs facilities at uneconomic times or locations be reconciled with Government policy on cash limits and reductions in Civil Service manpower? Does it make any difference to that policy if the trade is prepared to meet the full economic cost? Clearly to provide unlimited facilities is well beyond what the Government believes the country can afford. I do not see how one can reconcile strict limits on manpower to be achieved by greater efficiency with an open-ended commitment on the part of Customs to provide manpower in circumstances in which it is not economic for them to do so. Under the rules as they now stand the Customs would not be allowed to keep the money collected and use it to pay for extra staff. ^{For the reasons set out below} My own preference would be to provide facilities outside "free hours" ~~[only where the staff can be employed for most of their time on-duty and]~~ where the trade is prepared to meet the full economic cost. At those places where the traffic is insufficient to keep Customs staff properly employed, the facilities should be withdrawn.

(b) How far should the general taxpayer pick up the bill, and how far should operators be faced with commercial judgements on the extra costs of customs operations outside a 'core time'? Here my view is that although there is a clear link between the general good and the

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accessibility of Customs to freight and passenger traffic the principle of "free good" is wrong. I would not regard a charge as out of line with the normal operation of market forces. The principle of charging is already established on the freight side.

- (c) To what extent should charges represent the full economic cost of providing attendance at night, at weekends, and on public holidays? I would make two points. I do not regard the present hotch-potch of charges as any more than historical accident. Second, I think the Customs authorities are entitled to build incentives into the pricing mechanism which are designed to hold down costs.
- (d) Is the time ripe for an extension of the charging arrangements to include attendance for the clearance of passengers? Logically, and from an efficiency point of view, it would make sense to extend charges in this way. Clearance of passenger traffic requires concentration of manpower to hold down queuing and at least one of the most telling examples of extra costs involves the arrival of a night ferry. To make a charge would, however, extend the principle of charging into a new and controversial area.

Proposed action

16 The Secretary of State for Trade has suggested that the report should now be examined by officials of the Departments concerned to assess the practical and detailed implications of what is being proposed. It is appropriate to do that for examination of detailed changes to Customs procedures such as those listed in paragraph 13. I suggest you might agree to that.

17 But in my judgement it would not be right to leave the issues described in paragraph 15 to officials without strong guidance from Ministers. Otherwise we run a great risk that

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uncomfortable issues will be shelved, the opportunity of getting the basis of charges right will be missed and there will be no progress towards introducing appropriate incentives into the system. I would therefore favour prior Ministerial agreement on the issues of principle. If you agree, I suggest you ask the Chancellor of the Exchequer to take the lead and to report back to you in, say, one month.

DEREK RAYNER

April 1982

Pa. Sabhar

WM

114

[Blind copy without
attachments: Mr Rickett]

Mr WRIGHT

MINIS etc

I do not know whether Sir Robert Armstrong has seen the attached papers, but Mr Priestley thinks that, if not, he will wish to do so. He also thinks that it might be helpful if Sir Robert had an opportunity to see the draft of the "short paper" which the Prime Minister wants prepared by us as the basis for her intended talk with Mr Brittan and Mr Hayhoe. If that is Sir Robert's wish, I will let you have a copy of the draft when it is available.

C J P Joubert

C J P JOUBERT

1 April 1982

Encs: Copy minute from SS/Environment to
Prime Minister

Copy letters from Mr Rickett to
Mr Mathews and Mr Edmonds



WN
31/3
Gaut
mch

CABINET OFFICE

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

30 March 1982

J D West Esq
Private Secretary to the
Secretary of State for Energy

John Julian

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

Thank you for your letter of last Friday.

2. Your copy addressees and I have no difficulty of principle with what is now proposed. Your Department's participation in the review of running costs is of some standing and it is good that, in this connection, you intend to supplement your existing arrangements as you proposed. It is agreed that a scrutiny of your working relationships with a nationalised energy industry is not - at this stage - appropriate. The proposal for a scrutiny into energy conservation is welcome.

3. I understand that the Department now hopes to begin the scrutiny soon after Easter. If so, it would be helpful to have a proforma, along the lines indicated in Clive Whitmore's letter to private secretaries of 15 December last, showing the resources involved in energy conservation and which other departments have a hand in this. As far as central government's own consumption of energy is concerned, you may recall that one of the "Rayner projects" carried out at the same time as your own in 1979 was by Martin Fuhr, on behalf of the PSA, into energy conservation in the government estate; your colleagues may like to have a word with John Delafons about this. As far as the draft terms of reference are concerned, I suggest the following points for your Department's consideration:

- (1) The examining officer should not be debarred from raising questions of policy if he feels led to do so by the course of his inquiries.
- (2) With regard to (c) I think it is important to include clearly and specifically the question of which areas the examining officer is to investigate and of the effectiveness which with resources are deployed. Therefore:

"the level of resources devoted to energy conservation by central government in the rest of the public sector, the private sector and the domestic sector; the efficiency with which those resources are deployed; and the effectiveness of the results."

4. I am copying this to Willie Rickett and Jim Buckley.

Yours truly,

C. Priestley

C PRIESTLEY



OR
29/3

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

01 211 6402

Clive Priestley Esq
Cabinet Office
70 Whitehall
London
SW1

26 March 1982

Dear Clive,

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

You might like to have an account of the proposed action agreed when my Secretary of State and Permanent Under Secretary met Sir Derek Rayner on 11 March (your letter to me of 26 February refers):

A: REVIEW OF RUNNING COSTS

Not only will this Department participate actively in this Government-wide review but, following the presentation to the Prime Minister on 24 February, we intend to supplement our existing management control and information systems with certain elements of the MINIS system adapted to suit our circumstances.

B: SCRUTINY OF RELATIONS BETWEEN A NATIONALISED ENERGY INDUSTRY AND ITS DEPARTMENT OF ENERGY 'SPONSOR' DIVISION

It was accepted that the CPRS review, and the work flowing therefrom, made a 1982 Rayner scrutiny in this area of the Department of Energy's affairs inappropriate at this stage.

C: LATE 1982 SCRUTINY INTO ENERGY CONSERVATION

However, both my Secretary of State and Derek Rayner saw advantage in a late 1982 scrutiny covering the scale, disposition and organisation of the Government's energy conservation activities. While this would be a Department of Energy scrutiny, we would also be looking at the resources used by and objectives of other Government Departments involved in energy conservation activities. Suggested terms of reference are attached for this scrutiny, which would begin in the latter part of 1982.

I am sending a copy of this letter to Willie Rickett (No 10) and Jim Buckley (Chancellor of the Duchy's office) and will assume that the Prime Minister, Baroness Young and yourself are content with what is proposed unless I hear to the contrary.

Yours ever,

JULIAN WEST
Private Secretary

DRAFT TERMS OF REFERENCE FOR LATE 1982 SCRUTINY OF ENERGY CONSERVATION

"To examine on the basis of the Government's policy to promote the efficient use of energy and all other relevant Government policies:

- a) the way in which work on energy conservation is handled and organised in the Department of Energy
- b) the relationships in this area between the Department of Energy and other Departments and organisations
- c) the level of resources devoted to energy conservation and the efficiency with which those resources are deployed

and to make recommendations".



jei Goro Mack VS

10 DOWNING STREET

From the Private Secretary

26 March, 1982

Dear David

MINIS

The Prime Minister was grateful for your Secretary of State's minute of 15 March. As Mr Heseltine already knows, she was also pleased with the part played by him and his officials at last month's presentation to launch the reviews of the management of large operations and of the control of departmental running costs.

Mrs Thatcher feels that better progress is already being made across the Government than some of the comments and questions on 24 February may have suggested. Whatever the precise state of affairs in departments now, the Prime Minister expects the measures already in hand for this year to result in a general advance. She has in mind the improvement of the annual scrutiny of running costs; the Government-wide review of systems for controlling these costs (building on your Secretary of State's MINIS and "Joubert" exercises); and the Treasury's impending proposals for a substantial and extensive development of management accounting.

The Prime Minister thinks that these measures, which will build in part on other work which some Ministers have undertaken on their own account, offer a good prospect for accelerating the change already in train and for encouraging more departments to take action. She will wish these measures to be well co-ordinated and she hopes that the Chief Secretary will be able to take on this task with Sir Derek Rayner's help, and consulting the Chancellor of the Duchy as necessary.

X | As far as publication is concerned, the Prime Minister favours openness so long as it does not inhibit reporting officers from complete honesty in discussing the performance of their units and their plans for the future. Certainly, there should be no objection to publication of factual material about manpower and resource allocations generally, and the Prime Minister agrees this should be encouraged.

I am copying this letter to Terry Mathews and Adrian Carter (HM Treasury), Jim Buckley (MPO) and Chris Joubert (Sir Derek Rayner's Office).

John [unclear]
Cillie Rickett

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

VS



He B

10 DOWNING STREET

From the Private Secretary

26 March, 1982

Dear Terry

MINIS

I enclose a copy of a letter from the Secretary of State for the Environment to the Prime Minister and a copy of the reply I have sent on her behalf.

The Prime Minister is confident that this year's exercises will be made to have the general good effect referred to in my letter to David Edmonds. But she does not believe this can happen without a clear view of what the Government wants to achieve, how and by when. She therefore attaches much importance to making the necessary connections between the different strands in this year's work, not least with a view to the response to the Treasury and Civil Service Committee's expected recommendation that MINIS should be adopted generally. She hopes that the Chief Secretary will be able to take on this task.

The Prime Minister has already arranged for the Minister of State (Commons) to discuss with her on 20 April the development of the annual scrutiny of running costs. Having considered Mr. Heseltine's letter, Mrs Thatcher believes that it would be useful to widen the scope of that meeting to consider the objectives and coordination of the scrutiny, the running costs review and the proposed campaign on management accounting. She would therefore be grateful if the Chief Secretary and Mr. Cassels could join her on 20 April. If that is inconvenient for the Chief Secretary, we can of course rearrange the meeting. Sir Derek Rayner cannot be present but his office will be represented and the Prime Minister has asked them to prepare a short paper as the basis for discussion in consultation with the Treasury and MPO.

I am copying this letter to Adrian Carter (HM Treasury), Eleanor Goodison (MPO) and Chris Joubert (Sir Derek Rayner's Office), and to Jim Buckley (MPO).

Yours ever

William Rickett

T.F. Mathews, Esq.,
H.M. Treasury.

B

PRIME MINISTER

Financial Management

I have spoken to Sir Derek Rayner's office about the attached minute from Mr. Heseltine, and they advise:

a) The MINIS system and the DOE's method of controlling non-staff running costs will not suit all Departments. Sir Derek Rayner in particular has some doubts about their general applicability. (Their doubts are set out in greater length in the note at c)).

b) That Mr. Heseltine is absolutely right to ask how you can be assured that your commitment to reform his lead to action, and not just words.

c) Apart from the Annual Scrutiny Programme and the exercises on internal audit and financial training, we have three main initiatives in this area:

- The Annual Scrutiny of Departmental Running Costs.
This was intended to provide Ministers and senior officials with information to enable them to challenge the movement of staff and non-staff costs. It was also intended to draw Cabinet's attention to the total sums involved in the administration of Government. The danger is that Ministers and senior officials will not use this information, and that it will not inspire managers lower down the line to be cost-conscious. You have asked Mr. Hayhoe to see that the Annual Scrutiny actually helps the business of each department. You are seeing him on 20 April to reinforce this message.

- The Six Departmental Exercises on the Control of Running Costs
These will no doubt draw on MINIS and the DOE's method of controlling non-staff running costs (the "JOUBERT" system).

/ The reviews

The reviews will be coordinated by Mr. Cassels, with the support of a team from the Rayner Unit ~~in~~ the Treasury. Part of the Central Team's job is to help ensure that the lessons learnt are applied across Whitehall more generally.

- The Chief Secretary's Initiative on Financial Management
The aim of this will be to give managers at all levels clear objectives; the means of assessing and if possible measuring their outputs; information about the costs of their operations; and clear responsibility for making the best use of their resources. Improving management accounting throughout the Service will be a central part of this campaign.

All these initiatives need coordinating. Mr. Heseltine is right to say that one Minister should lead. Sir Derek Rayner suggests, and I agree, that you should nominate the Chief Secretary to lead for you on the three initiatives outlined above, assisted by Mr. Hayhoe on the first and third, and by Mr. Cassels and his team on the second. I understand that the Chief Secretary would be willing to take on this responsibility. We will need to make clear that he is expected to consult the Chancellor of the Duchy, since it is really her responsibility to oversee the six departmental exercises on running costs.

For these reasons, I suggest that we expand the meeting that you were going to hold with Barney Hayhoe on 20 April to include the Chief Secretary, Mr. Cassels, and Sir Derek Rayner (or a representative of his office) and that

- a) I should write to the Chief Secretary's office as at Flag A;
- and b) I should write to Mr. Heseltine's office as at Flag B.

Content that I should proceed in this way?

Yes not

The letter to Mr. Heseltine's office also accepts his proposal that more publicity should be given to what the Government achieves in the way of controlling staff and non staff costs, as a way of making departments more accountable, and as a discipline on managers.

25 March 1982

WR
25/3

Mr RICKETT

MINIS AND FINANCIAL MANAGEMENT

I attach a draft reply to Mr Heseltine's minute to the Prime Minister of 15 March and a draft letter to Mr Mathews (Treasury). They are based on the advice of Sir Derek Rayner and this office, requested in your minute to me of 16 March.

2. The main elements of our advice are these.

3. Mr Heseltine has made a unique personal contribution to the Government's policies for good management in Whitehall. Both MINIS and the later "Joubert" approach to the control of running costs by "cost centres" are entirely consistent with the Prime Minister's wish that Ministers should be managers and the principles advanced by Sir Derek Rayner. Last year's "Joubert" scrutiny opened the way for this year's Government-wide review of controlling running costs (see below). And it is true that as MINIS has had a very high profile, the Treasury and Civil Service Committee report on efficiency to be published on 1 April will recommend that it, or its clear equivalent, should be adopted by departments generally and by their fringe bodies. The Committee will also recommend the publication of MINIS-type documents.

4. But MINIS is very paper-intensive. It would not suit everyone, Sir Derek Rayner included. The attached note by Mr Joubert, based on his recent experience in DOE, is a useful insight into this.

5. Nor is the DOE record in controlling costs beyond reproach. While the Department has achieved the highest proportionate reduction in staff (to a degree by hiving off and privatisation) and a star billing in the annual scrutiny of running costs for wages and salaries, personnel overheads and accommodation, it is near the bottom of the table for non-staff costs (up 28% in 1981-82). There might be some risk in pushing DOE too far into the limelight.

6. Nonetheless, Mr Heseltine puts his finger on an important point: how can the Prime Minister be assured that her own strong commitment to reform is being translated into action?

7. It is true that far more is going on than might be supposed from Ministers' response at the presentation on 24 February* and that we have current action on the annual scrutiny of running costs, the Government-wide review of controlling running costs and the Treasury's "systematic campaign". But I do not think that the Prime Minister would or should be satisfied with simply referring to that in her reply to Mr Heseltine's suggestion that she should authorise someone on her behalf to make things happen.

8. The Prime Minister might well be asking herself whether it is a matter of all study, and no action, all words, and no deeds. I think it helpful to survey briefly where we now are and consider whether more needs to be done to bring things together.

9. If we look back to 1979, we can see that two large stones were then dropped into the pool and that their ripples are still widening. They were first retrenchment, including the Civil Service manpower target which does concentrate the mind and make some people think the unthinkable and secondly the Rayner exercises. To cut a long story short, the two together have shown that the general standard of financial management in departments is low and have produced a broad consensus about the right approach

* Including implementation by MAFF and DOI of the recommendations made by Coopers & Lybrand (as a result of the Prime Minister's anxiety last year about internal audit); the review just completed by Peat Marwick and Mitchell of the control of running costs in DHSS; the work now in hand in MOD to strengthen financial accountability following last year's scrutiny; and the Government-wide review of the management of large, self-contained executive operations (eg RAF Support Command).

to adopt towards the management of any large organisation. But the consensus has not formed itself clearly and sharply. At the moment therefore we have an amalgam of separate departmental exercises (including MINIS); the annual scrutiny of running costs; this year's Government-wide review of running costs (son of "Joubert"); and now the Treasury's proposed "systematic campaign" on management accounting. There is a risk of all this getting out of hand. Leaving aside the departmental exercises, and such other central "financial management" ^{exercises} as those on internal audit and training, let us recapitulate how we got where we are now:

(1) Knowing and responding to costs: the annual scrutiny of departmental running costs

The annual scrutiny was recommended by Sir Derek Rayner, and adopted, in 1980. It was intended to provide Ministers and senior officials with information they could use to challenge the movement of staff and non-staff costs. It became clear last year that the scrutiny itself was too top down: ^{it was} not producing the desired results. It was then recognised that the new habits and practices required must be developed by an exercise directed to practical change. Hence this year's review of running cost control (see below). But the scrutiny itself will continue and the Prime Minister has asked the Minister of State (Commons) in the Treasury (Mr Hayhoe) to take the lead in ensuring that it is apt for its purpose, ie that it reflects and helps with the actual business of each department. This "bottom-up" approach is consistent with the Treasury's acceptance of management accounting (see below).

(2) Better systems for cost control: the Government-wide review of running costs

This review originated partly as noted above and partly with Mr Heseltine's scrutiny of the possible use of "cost centres". The six departmental exercises, co-ordinated by a central team representing the Rayner unit and the Treasury on behalf of the Second Secretary, MPO (Mr Cassels), will follow up the Joubert report in DOE with the important difference that their terms of reference include

"the setting of objectives and measurement of outputs against which budget can be planned and controlled".

the

The systems/review will recommend will undoubtedly draw on the MINIS approach. The effects will not be limited to the six departments taking part, since the central team is tasked to help ensure that arrangements are strengthened across Whitehall more generally.

(3) Organisation for management and control (Treasury initiative on management accounting)

In response to Sir Derek Rayner's proposals for a lasting reform of financial management and to other developments, the Chief Secretary intends to consult Ministers about setting on foot a systematic campaign. The aim of this will be to give managers at all levels clear objectives; means of assessing and if possible measuring their outputs; comprehensive information about the cost of their operations; and clear responsibility for making the best use of their resources. The Treasury sees management accounting as central to this campaign.

10. I am bound to say that in a well-ordered world, the Government-wide review at (2) above would have been devised after and as one expression of (3) above. But the Treasury have made rather hesitant progress along the road to Damascus and we must be grateful that the light has shone on them now, with the result that (3) was brought into being well after (2). Moreover, there are strong intellectual connections between (1), (2) and (3) and the staff officers involved, whether in my office (Mr Joubert and Mrs Thoms) or in the Treasury (Mr Wilding and his people) have or are developing good working relationships.

11. Where does all that leave the Prime Minister? Our advice is this:

- (1) The centre has been down the "monitoring" road before. Mr Channon, when Minister of State, CSD, wrote round Ministers in Autumn 1980. Some sort of round-up will be necessary in order to respond to the Treasury and Civil Service Committee (para. 3), but anything more heavy-handed would be resented.
- (2) But the Prime Minister has got a clear interest here, namely in getting progress through the proper co-ordination of and leadership for this year's work as summarised in para. 9 above. Her own top management function is to satisfy herself that objectives are being set, with milestones for monitoring and reporting progress. This will be best achieved
 - (a) by nominating the Chief Secretary to lead for her across 9(1) - (3) with the help of Mr Hayhoe and Mr Cassels and
 - (b) by getting Sir Derek Rayner and this office to help by contributing to the work in hand (which it is already doing) and doing the necessary staff work for her.



12. I will not extend this minute by going into detail on (a) above. It is probably sufficient to let you have the attached digest of Sir Derek Rayner's advice to Mr Brittan on the "systematic campaign".

13. If the Prime Minister agrees with the line I have suggested, I will brief for the meeting with Messrs Brittan and Hayhoe on 20 April. She might think it appropriate for Mr Cassels also to be present, but it would be wise to keep the meeting small.

CP

C PRIESTLEY
24 March 1982

CONFIDENTIAL

Encs: Draft letters to Messrs Edmonds and Mathews
Background note on MINIS
Digest of Sir D Rayner's advice to Mr Brittan

D A Edmonds Esq
Department of the Environment

MINIS

The Prime Minister was grateful for your Secretary of State's minute of 15 March. As Mr Heseltine already knows, she was also pleased with the part played by him and his officials at last month's presentation to launch the reviews of the management of large operations and of the control of departmental running costs. ~~At least one Minister [Mr Rickett: this is Mr Lawson] went away convinced that he wished to take a firmer hold of his departmental costs than he had so far. The Prime Minister has asked me to reply on her behalf as follows.~~

2. Mrs Thatcher feels that better progress is already being made across the Government than ~~the~~ ^{Some} tone of ^{me} comments and questions on 24 February ^{may have} suggested. Whatever the precise state of affairs in departments now, the Prime Minister expects the measures already in hand for this year to result in a general advance. She has in mind the improvement of the annual scrutiny of running costs; the Government-wide review of systems for controlling these costs (building on your Secretary of State's MINIS and "Joubert" exercises); and the Treasury's impending proposals for a substantial and extensive development of management accounting.

3. The Prime Minister thinks that these ^{measures} ~~developments~~, which will build in part on other work which some Ministers have undertaken on their own account, offer a good prospect for accelerating

the change already in train and inducing it where it is not.

more
for encouraging departments to take action.
She will wish ^{these measures} them to be well co-ordinated and she ~~will look~~ ^{be working} ~~to the central departments to see that this is so,~~ with
Chief Secretary ^{will be able to take on this task}
Chief Secretary Sir Derek Rayner's help, and ^{consulting} ~~is concerned with~~ the Chancellor of the Exchequer
as necessary.

4. As far as publication is concerned, the Prime Minister favours openness ^{so} as long as it does not inhibit reporting officers from complete honesty in discussing the performance of their units and their plans for the future. Certainly, there should be no objection to publication of factual material about manpower and resource allocations generally.

[5. I am copying this to Terry Mathews and Adrian Carter (HM Treasury), [Jim Buckley MPO], and Chris Joubert (Sir Derek Rayner's office. (OR BLIND COPIES.)]

W F S RICKETT

T F Mathews Esq
HM Treasury

MINIS

I enclose a copy of a letter from the Secretary of State for the Environment to the Prime Minister and a copy of the reply I have sent on her behalf.

2. The Prime Minister ^{is confident} expects that this year's exercises will be made to have the general good effect referred to in my letter to David Edmonds. But she does not believe this can happen without a clear view of what the Government wants to achieve, how and by when. She therefore attaches much importance to making the necessary connections between the different strands in this year's work, not least with a view to the response to the Treasury and Civil Service Committee's expected recommendation that MINIS should be adopted generally. *She hopes that the Chief Secretary will be able to take on this task.*

3. The Prime Minister has already arranged for the Minister of State (Commons) to discuss with her on 20 April the development of the annual scrutiny of running costs. Having considered Mr Heseltine's letter, Mrs Thatcher believes that it would be useful to widen the scope of that meeting to consider the objectives and co-ordination of the scrutiny, the running costs review and the proposed campaign on management accounting. She would therefore be grateful if the Chief Secretary ~~and Mr Cassels~~ could join her on 20 April. *He 7-M- has* Sir Derek Rayner cannot be present but his office will be represented and ~~I~~ have asked them to prepare a short paper as the basis for discussion in consultation with the Treasury ~~and MPO~~.

If that is inconvenient for the Chief Secretary, we can of course rearrange the meeting.

4. I am copying this to Adrian Carter (HM Treasury),
/Eleanor Goodison (MPO)/ and Chris Joubert (Sir Derek Rayner's
Office).

W F S RICKETT

SIR DEREK RAYNER'S ADVICE TO THE CHIEF SECRETARY ON THE
"SYSTEMATIC CAMPAIGN"

1. The Prime Minister is unlikely to be satisfied unless the following arrangements are made, including a regular report back to her.
2. The Chief Secretary should be the Ministerial leader of the "systematic campaign". He might be assisted by the Minister of State (Commons) (whom the Prime Minister has already asked to take a personal responsibility for making progress on running costs); Mr Hayhoe might undertake whatever "negotiation" with departments that was necessary.
3. Success in the campaign depends on departments actually making the changes in arrangements that are agreed upon as necessary. For this purpose, an action plan is needed to deliver the Treasury philosophy in terms of realities.
4. People make things happen. Accordingly:
 - (1) The Treasury should put a senior official in the lead. He should devote a considerable part of his time to the "campaign", especially seeing on the Chief Secretary's behalf that progress was made in accordance with the agreed plan. His/her name should be known to the Prime Minister.
 - (2) The Treasury should settle with each department the objectives of the "campaign" as applied to it.
 - (3) Each department should appoint a leader charged with ensuring that the agreed progress was in fact made.

5. The centre (Treasury/MPO/Rayner unit) should (against the scheme just outlined) not merely ensure that the general prescription for financial management was right, but also:

- (1) Equip itself to help departments where necessary and audit the progress made.
- (2) Inform departments about the progress made.



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10 DOWNING STREET

From the Private Secretary

23 March 1982

REVIEW OF FINANCIAL CONTROL

The Prime Minister found your Secretary of State's minute of 12 March interesting and helpful. She is grateful for it and sends your Secretary of State her good wishes for the successful completion of a scheme well adjusted to the needs of himself and his department and consistent with wider developments across the Government as a whole.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), Robert Lawson (MAFF), Muir Russell (Scottish Office), Jonathan Rees (Department of Trade), John Craig (Welsh Office), Jim Buckley (MPO), David Wright (Cabinet Office) and Chris Joubert (Sir Derek Rayner's Office).

W. F. S. RICKET

Jonathan Spencer, Esq.,
Department of Industry.

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10 DOWNING STREET

From the Private Secretary

23 March 1982

FINANCIAL MANAGEMENT REVIEW BY COOPERS & LYBRAND

The Prime Minister read your Minister's letter of 9 March with great interest. She very much welcomes Mr. Walker's vigorous response to the report by Coopers and Lybrand Associates and hopes that it will produce substantial benefits for the management of his Ministry's financial affairs.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), Jonathan Spencer (Department of Industry), Jim Buckley (MPO), David Wright (Cabinet Office) and Chris Joubert (Sir Derek Rayner's Office).

W. F. S. RICKETT

Robert Lowson, Esq.,
Ministry of Agriculture, Fisheries & Food.

PERSONAL

Mr RICKETT

EFFICIENCY OF CENTRAL GOVERNMENT; FINANCIAL MANAGEMENT: MCA

I am marking this minute PERSONAL because it offers advice on a reply to Sir R Armstrong's minute of 19 March on some targets for 1982. It is therefore "off the record". This subject is dealt with first. The minute then goes to some unfinished business on financial management and the meeting with the MCA.

Efficiency targets for 1982

2. This minute is the product of an initiative taken by Sir Derek Rayner with the Joint Heads of the CS, Sir A Rawlinson and Mr Cassels (who constitute the "Civil Service Management Meeting" held each fortnight). The purpose of the initiative was to establish that a long-term programme was needed under the leadership of the Joint Heads and that it would only mean anything if it consisted in practical action/s.
3. I attach a possible draft reply, which you will want to discuss with Mr Whitmore.
4. The draft takes the opportunity to do something that I think will be generally helpful, namely to set out the PM's "efficiency" agenda for the next few weeks.
5. We shall aim to brief on the various items of business listed.

Financial management

6. I attach a short draft letter in reply to the Chief Secretary's undated minute of last Thursday or Friday - short partly because the reply to Sir R Armstrong picks up much of the detail in the "agenda" and would be copied to the Chief Secretary.



MCA

7. As agreed, I offer herewith draft letters to Miss Timms (MAFF) and Mr Spencer (DOI).

8. I am consulting Sir R Armstrong about a possible "thank you" letter to Mr Banks - I have sent you a blind copy of my minute.

9. You will of course have noted that both Mr Peter Walker and Mr Patrick Jenkin are retaining consultants to help implement the schemes of work agreed on after the Coopers and Lybrand and Touche Ross assignments (both of which were commissioned as a direct result of the PM's interest in internal audit a year ago).

CP

C PRIESTLEY
22 March 1982

Encs: Draft minute to Sir R Armstrong
Draft letters to Mr Mathews, Miss Timms and Mr Spencer

Sir Robert Armstrong

THE EFFICIENCY OF CENTRAL GOVERNMENT: SOME TARGETS FOR 1982

The Prime Minister has seen your minute of 19 March and the attached note, for which she was grateful. Her comments are as follows.

2. The Prime Minister endorses the programme of work set out in the note for 1982. She thinks that it is right to plan for a continuing programme of reform, consisting of practical measures aimed at the achievement of practical changes.

3. Secondly, the Prime Minister is glad that you and Sir Douglas Wass have set up a series of fortnightly meetings, with Sir Anthony Rawlinson and Mr Cassels, to ensure that joint action is achieved in practice. She notes that Sir Derek Rayner has been associated with this work and is pleased that this will continue to be the case. Mrs Thatcher is glad that you will keep her in touch with progress. She thinks that a report every six months would be appropriate, the first at end-September 1982, please. It would be helpful if the report covered all relevant initiatives, that is, those in para. 6 of your minute as well as those in your note.

4. Thirdly, the Prime Minister agrees with Sir Derek Rayner's observation that reform must include benefits for staff and she hopes that no unnecessary obstacle will be allowed to stand in the way of this.

5. Finally, it may be helpful to record here the matters to which the Prime Minister will be giving attention herself over the next few weeks.

- (1) Internal audit: report by Chief Secretary, end-March.
- (2) Treasury initiative on financial management and management accounting: report by Chief Secretary, including draft paper and arrangements for central co-ordination of and support for the work proposed, April.
- (3) Training in financial management: report by Chancellor of the Duchy of Lancaster, April.
- (4) Annual scrutiny of departmental running costs: meeting with Chief Secretary and Minister of State (Commons), 20 April.
- (5) Draft reply to the report of the Treasury and Civil Service Sub-Committee on efficiency

6. I am copying this to the private secretaries of the Chancellor of the Exchequer and Duchy of Lancaster, the Chief Secretary to the Treasury and the Minister of State (Commons), Sir Douglas Wass and Sir Derek Rayner.

C A Whitmore

T F Mathews Esq
HM Treasury

FINANCIAL MANAGEMENT

The Prime Minister was grateful for the Chief Secretary's recent minute in reply to my letter of 15 March. She has noted the intended timetable on internal audit; financial management including management accounting; external help; a comprehensive statement to Parliament; and is content.

I am copying this letter to Jim Buckley (MPO), Jonathan Spencer (DOI), Kate Timms (MAFF), David Wright (CO) and Chris Joubert (Sir Derek Rayner's Office).

W F S Rickett

Robert Lawson

~~Miss V K Timms~~
Private Secretary to the Minister of
Agriculture, Fisheries and Food

FINANCIAL MANAGEMENT REVIEW BY COOPERS AND LYBRAND

The Prime Minister read your Minister's letter of 9 March with great interest. She very much welcomes Mr Walker's vigorous response to the report by Coopers and Lybrand Associates and hopes that it will produce substantial benefits for the management of his Ministry's financial affairs. ~~The Prime Minister has asked me to make this further comment.~~

Mrs Thatcher strongly agrees with the Consultants' conclusion that the conventional view of the role of finance in Government management has been too restricted and therefore with their and your Minister's proposal that responsibility for management should be defined and accountability delegated to coincide with responsibility. This is consistent with the Government's general policy since it took office and more particularly with the initiative about to be proposed to Ministers by the Chief Secretary.

I am copying this to John Kerr and Terry Mathews (HM Treasury), Jonathan Spencer (DOI), Jim Buckley (MPO), David Wright (CO) and Chris Joubert (Sir Derek Rayner's Office).

W F S Rickett

J P Spencer Esq
Private Secretary to the
Secretary of State for Industry

REVIEW OF FINANCIAL CONTROL

The Prime Minister found your Secretary of State's minute of 12 March interesting and helpful. She is grateful for it and sends your Secretary of State her good wishes for the successful completion of a scheme well adjusted to the needs of himself and his department and consistent with wider developments across the Government as a whole. ~~The Prime Minister has asked me to add these comments.~~

First, Mrs Thatcher is glad to see the emphasis which your Secretary of State attaches to the role of Ministers (para. 3), as she thinks the good definition and execution of this role critically important to sound financial management. Similarly, she agrees that there is a strong argument for not dividing responsibility for money and manpower.

Secondly, the Prime Minister is glad that your Secretary of State has set in hand the actions listed in para. 6 of his minute. This seems generally excellent and likely to make a substantial contribution to Government policies in the area of financial management, not least for the control of departmental running costs and increasing the responsibility of officials down the line. However, the Prime Minister did not see any reference to the training of those responsible for advising on financial matters and she hopes that, given the scale and

nature of the Department's financial business, serious attention will be given to this.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), ~~Kate Timms~~ ^{Robert Lawson} (MAFF), Muir Russell (Scottish Office), Jonathan Rees (DOT), John Craig (Welsh Office), Jim Buckley (MPO), David Wright (CO) and Chris Joubert (Sir Derek Rayner's Office).

W F S Rickett

Prime Minister 2

WV
22/3
for Mark



Chancellor of the Duchy of Lancaster

mt

PRIME MINISTER

FINANCIAL MANAGEMENT

I have seen the minute which the Chief Secretary is sending you in reply to your Private Secretary's letter of 15 March. I endorse entirely what he says and shall tie in with his report my own on training.

As the Chief Secretary says, it did seem after the meeting with the Management Consultants' Association that the opportunity should be taken in replying to the report of the Treasury and Civil Service Sub-Committee on efficiency to give Parliament a comprehensive statement of the work in hand to improve financial management - and indeed not only that but management effectiveness more widely. I am sure that that is right and that a White Paper is called for. The MPO is putting work in hand on this in co-operation with the Treasury.

I am copying this as before.

Baroness Young

BARONESS YOUNG

22 March 1982



JR

10 DOWNING STREET

From the Private Secretary

DAVID WRIGHT

THE EFFICIENCY OF CENTRAL GOVERNMENT:
SOME TARGETS FOR 1982

The Prime Minister has seen Sir Robert Armstrong's minute of 19 March, reference A07820. She was grateful for this report on progress with Sir Derek Rayner's programme of "lasting reforms" and on the further work to be undertaken this year on improving the efficiency of central government; and she has endorsed the programme of work set out in the note attached to Sir Robert's minute.

I am copying this minute to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Terry Mathews (Chief Secretary's Office), Adrian Carter (Minister of State's Office, HM Treasury), Jeremy Colman (HM Treasury) and Clive Priestley (Sir Derek Rayner's Office).

W. F. S. RICKETT

22 March 1982



10 DOWNING STREET

From the Private Secretary

22 March 1982

FINANCIAL MANAGEMENT

The Prime Minister was very grateful for the Chief Secretary's recent minute, which she has noted without comment.

I am copying this letter to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Jonathan Spencer (Department of Industry), Robert Lawson (MAFF), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

W. F. S. RICKETT

Terry Mathews, Esq.,
HM Treasury.

A handwritten signature in the bottom right corner of the page.

Prime minister 2

WM
19/3



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PRIME MINISTER

FINANCIAL MANAGEMENT

Your Private Secretary's letter of 15 March contained your comments on my minute of 5 March. I am glad you found it encouraging; we do most certainly intend to put greater impetus and coherence into the movement on this front.

2. I hope to let you have a progress report on internal audit at the end of this month.
3. On management accounting and other aspects of financial management, I shall much welcome Sir Derek Rayner's help as you suggest, including his comments on the proposed Treasury paper. I will show it to you next month as soon as it is ready, and of course before it is issued to departments. That will probably be the best time for me to report to you also on the arrangement of the effort by the central departments to co-ordinate and support the work proposed in the paper, and perhaps too for the Chancellor of the Duchy to report on the training that will be needed.
4. As regards external help, I think we agreed after the meeting with the Management Consultants' Association that a formal central committee with consultant members would be more likely to retard the work than to hurry it forward, and I do not propose to pursue that suggestion. The Treasury will of course, with the MPO, consult departments on service-wide issues, but without a great formal apparatus, and any consultation with knowledgeable outsiders, not necessarily confined to consultants, should be

similarly informal. Following the meeting, I have asked officials to keep that line of contact open (and find out whether and how much the consultants would charge for the occasional consultation). At the departmental level, I expect that some departments will want consultants' help with implementation; that is better dealt with case by case.

5. I think that it would be a good idea to give Parliament a comprehensive statement of the work in hand to improve financial management. As we mentioned briefly after the meeting, it would be sensible to combine that with the Government's reply to the forthcoming report by the Treasury and Civil Service Sub-Committee on efficiency, and we will plan accordingly.

I am copying this minute to the Chancellor of the Duchy of Lancaster, the Secretary of State for Industry, the Minister of Agriculture, Fisheries and Food, Sir Robert Armstrong and Sir Derek Rayner.

L.B.

LEON BRITTAN

9/3/82?

1871

1871

Ref. A07820

PRIME MINISTER



Prime Minister
Content to endorse the
programme of work set out
at Annex A?

Yes
LM
19/3

The Efficiency of Central Government:
Some Targets for 1982

This minute reports on progress with Sir Derek Rayner's programme of "lasting reforms" and on further work to be undertaken this year on improving the efficiency of central government.

2. The reorganisation of the central Departments, together with the work on efficiency which has been completed in 1979-81, represents the first stage in a long-term programme of reform which may take up to ten years to complete.

3. It has been clear from the start that very close working between the Treasury and MPO will be essential to effective action. Sir Douglas Wass and I have instituted a fortnightly management meeting, also attended by Sir Anthony Rawlinson and Mr Cassels, to ensure that joint action is achieved in practice.

4. We recently met Sir Derek Rayner to discuss proposals by him intended to accelerate action on "lasting reforms" (on some of which he himself has made slower progress than he would have wished) and for efficiency targets to be met in 1982 as a contribution to a long-term strategy for improved management.

--- 5. This has resulted in agreement on the action set out in the enclosed note. We all consider that the note sets out practical steps which will be of great importance in securing the progress agreed to be necessary. Sir Douglas Wass and I will see that the whole is effectively co-ordinated, in consultation with Sir Derek Rayner as necessary, and I will keep you informed on progress.

6. The note is not an exhaustive list of the action in hand. For example, the MPO's "early tasks" document, which will be coming back to you shortly, will set out major objectives for MPO in 1982. This will include a long-term programme of action to improve management in Government Departments and secure the better running of the services provided by central government and will be tied in closely with the Treasury initiative on financial management (paragraph 4(i) of the attached note). The Treasury and all Departments are at present engaged in the "chain of command" review of open structure posts following the Wardale



report. It has been recently decided that the Annual Review of Running Costs will be repeated in 1982. Ministers and their Departments are deeply involved in other "efficiency" exercises, including getting their staff numbers down in line with the manpower targets for 1984. In some Departments, a lot of effort is also required to give effect to decisions already taken. But that does not detract from the value of the actions to which our commitment is recorded in the attached note. They are of major importance to the improvement of management and efficiency in the Civil Service.


7. Sir Derek Rayner has asked me to say that he attaches particular importance to the proposition that a programme of administrative reform is incomplete without a clear benefit for staff. By this he means not token sweeteners, but something which both indicates that the Government has a whole policy for good management and is right in itself, eg investment in decent working surroundings for local office staff. This explains the references at paragraph 5(ii) and (iii) of the attached note to improved working conditions.

8. We hope that you will endorse the programme of work set out in the attached note.

9. I am sending copies of this minute and the note to the Chancellors of the Exchequer and the Duchy of Lancaster, the Chief Secretary, Treasury and the Minister of State, Treasury (C); and to Sir Douglas Wass and Sir Derek Rayner.

ROBERT ARMSTRONG

19 March 1982



Treasury and MPO

The Efficiency of Central Government: Some Targets for 1982

The reorganisation of the central Departments, together with the work on efficiency which has been completed in 1980 and 1981, represents the first stage in a long term programme of reform which may take ten years to complete. This note sets out some specific targets for 1982 agreed with Sir Derek Rayner as a contribution to the next stage in the process. ("Lasting reforms" are marked LR).

1. Complete the Implementation of Work Already Undertaken

This applies to scrutinies etc undertaken by Departments in 1979-81, on which Sir Derek Rayner reported to the Prime Minister on 26 February; the 1981 review of supporting services for Research and Development (responsibility with Sir Derek Rayner); and follow-up to the 1981 review of forms (responsibility with MPO).

2. Efficiency Strategy 1982

In addition to assisting in the scrutiny programme now agreed for 1982, the Management and Personnel Office and the Rayner Unit will co-ordinate three Government-wide reviews: a programme of Resource Control reviews; projects to assist Departments in their control of running costs; and a review of Personnel work. Overall responsibility for co-ordinating the reviews falls to Mr Cassels.

3. Managerial Authority of Ministers and Permanent Secretaries (LR)

Sir Derek Rayner will circulate a new draft on the managerial authority of Ministers and Permanent Secretaries to a group of Permanent Secretaries, before consulting Ministers. Action to be completed by end-May.

4. Financial Management

(i) Treasury will take forward action resulting from the work of its Financial Management Co-ordination Group, on the lines described in the Chief Secretary's minute to the Prime Minister of 5 March. Following consultation with selected Permanent Secretaries and Sir Derek Rayner, and after clearance with the Prime Minister, guidance on the improvement of financial management, including the further development of management accountancy, will be issued to Departments. The guidance will draw together the general lessons from such earlier work as the Cooper & Lybrand report on MAFF and will invite Departments to draw up and agree with the Treasury a specific programme of action. Such a programme will take several years to complete over the whole field but the aim will be substantial progress this year. Responsibility with the Treasury (but in consultation with MPO); guidance to be issued in April.

(ii) The capacity of the Treasury to play its part in ensuring the quality of Departmental systems for managing resources and programmes is important. The report of the scrutiny of the Treasury expenditure divisions has just been delivered to Treasury Ministers. Decisions on implementing action document following up the scrutiny of Treasury (ex-CSD) delegation of authority (Mr Hull and Mrs Shroff) to be reached by mid-April.

(iii) Training in financial management (LR). The Civil Service College will introduce a new training course on financial management aimed at prospective PFOs and senior line managers in its 1982/83 programme. As part of a wider look at career management fore-shadowed in its action document, the MPO will review the scope for seeing that administration trainees and others acquire knowledge of financial management through training, internal and external, and through appropriate career management; report by end-1982.

(iv) Strengthening internal audit. Most of the planning will be done by July 1982 (responsibility with the Treasury). Thereafter implementation in bringing all audit staff up to a satisfactory standard will take about three years. A considerable effort by the Civil Service College will be required (responsibility MPO).

(v) Management audit (LR). The MPO will be considering in consultation with Treasury and other Departments how to strengthen the capacity of Departments for management audit both through conventional techniques (eg staff inspection, O & M) and new ones (eg scrutinies and service-wide reviews). This action is provided for in the MPO's action document; report autumn 1982.

5. Improving Working Conditions for Staff

Since the PSA vote for 1982-83 is now closed, there is no possibility of providing extra money for improvements in the coming year. But in preparation for 1983-84, the following work will be put in hand:

(i) The Treasury will press on with the introduction of the repayment system, which will make Departments themselves responsible for managing their own accommodation on budgets on a trial basis in 1983-84.

(ii) The Treasury have included in the proposed guidelines for the 1982 public expenditure survey an invitation to Departments to consider whether to provide within their total programmes more or less than their share of the existing PSA provision for Government civil accommodation, indicating how far any additional provision can be regarded as linked with improvements in efficiency.

(iii) Sir Robert Armstrong will write to the new Director General of the PSA to seek his assessment of the state of the PSA estate and plans for improving substandard accommodation.



6. Career Development for Managers

Changes in career development intended to strengthen management ability in Departments in the longer term will be studied by MPO in accordance with its action document (report by end-1982).

7. Enabling Staff to Give of Their Best

The policies at 5 and 6 above are relevant. But the MPO also has in hand work to increase the motivation of junior staff through greater involvement in the organisation and planning of their work (report mid-1982); to examine the current system for staff reporting and appraisal (interim report April); to experiment in the more effective use of resources in local offices (project work in 1982); and to review the criteria for promotion (report mid-1982).

8. Simplification of Regulations

The MPO will consider the scope for identifying any changes which may be desirable in the framework of requirement and guidance laid down by the Treasury and MPO so as to enable Departments to delegate responsibility further down the line. This is part of the action foreshadowed in the MPO's action document (report autumn 1982). A scrutiny this year by the Inland Revenue of notifications and memoranda issued by its HQ to its local offices will help here. The question of possible action to simplify Departmental rules and regulations will be raised at a future Permanent Secretaries' meeting.



WM
19/7
Sa Mac

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 19 March 1982

Clive Priestley Esq
Cabinet Office
70 Whitehall
LONDON SW1A 2AS

Dear Clive,

THE EFFICIENCY STRATEGY 1982 : THE SCRUTINY PROGRAMME

Your letter of ^{underneath} 25 February to John Kerr refers.

On the scrutiny of memoranda and instructions issued by headquarters to local Tax and Collection Offices notifying new procedures and revising existing ones, you recorded the Prime Minister's suggestion that it might serve the wider objective of increasing delegation of authority to local offices, examining the relationship between headquarters and such offices in attempting to simplify administration and increasing the discretion of local management. You also recorded her interest in reducing the complexity of regulations.

We certainly agree that the terms of reference of the scrutiny should be amplified to stress the objectives of reducing complexity and encouraging local initiative and discretion wherever possible. As a separate initiative towards increasing the authority of regional and local offices, we are already delegating to line managers greater control over the distribution of their manpower and the budget for particular areas of their expenditure. For example travelling and subsistence and telephone costs have already been delegated, and postal costs are to follow shortly. We hope to continue this process so that regional and local offices will ultimately have a full picture of their costs and, so far as practicable, clear budgets within which to operate.

But we would wish to keep the main focus of the scrutiny very much on the memoranda and instructions themselves since otherwise there would be a danger of duplicating work which is already going on, and perhaps holding up its conclusions. Three major structural reviews are already in progress - into the tax district network and organisation, the collection service and the line management and inspection system of the regional offices - and all are expected to complete their work and report later this year.

/On the possibility

MANAGEMENT IN CONFIDENCE



On the possibility of including the scrutiny of the VAT HQ at Southend in this year's programme we have now examined this in detail and have concluded that it would be better to leave it for the following year. Customs have already started a staff inspection of the Southend HQ, with Treasury participation. It would not have made sense to have had staff inspectors and a Rayner team going over very much the same ground at the same time. To have terminated the inspection in favour of a Rayner scrutiny would have created the impression of vacillation and would have contrasted oddly with the general policy of strengthening staff inspections (which Customs have done). Moreover a number of other studies are taking place in the Southend headquarters: the internal audit unit are studying the banking section, and a joint MPO/Customs job satisfaction team are studying large clerical areas in order to improve efficiency. Against this background, we have concluded that the best way forward would be to let the staff inspection run its course, but to start a Rayner scrutiny at the beginning of 1983.

We have noted the Prime Minister's comments on the scrutinies of the Department of National Savings and the Civil Service Catering Organisation.

I am copying this letter to recipients of yours.

Yours ever,
Peter

P S JENKINS
Private Secretary



11 12 1
1982



Mr Whitby 15/3
Prime Minister

PRIME MINISTER

A B ←

You will remember that you agreed that Mr Hayhoe should come and report to you on the value of the annual scrutiny of departmental running costs. You might like to take that opportunity to ask him for his reactions to Mr Heseltine's proposal at A below. A Treasury minister would be the natural candidate for the task Mr Heseltine describes. I will however ask Sir Derek Rayner for his views on this minute.

MINIS

I much appreciated the opportunity to present to colleagues and their officials the concept and workings of the management system operating in the Department of the Environment. I was quite unsurprised by the reaction - and totally unconvinced!

not WJ 15/3

Any detailed management system imposes a work burden on its operators and - much more important - it penetrates defences thus removing from Departments the ability to defend their manpower levels by generalised reference to high sounding causes.

As a result of the pressure you are applying work is proceeding and an awareness is growing that there must be change. The great danger comes when the argument is advanced approving MINIS in principle but explaining that it is not the right system for another particular Department. You will appreciate that this is mainly the second line of defence. Effectively it is saying "If we have to have management systems let us at least limit the damage - and the effectiveness - by so designing our own system which will be much watered down."

There may be other ways of doing what we are doing but I have yet to see it. If I may be indiscreet, so have any of the junior ministers who have come into or gone out of my Department as a result of your changes!

The conclusion is quite clear. Left to itself very little will actually happen.

A | There is only one way to change this. Someone acting on your authority has to actually get into the process of negotiating Department by Department the way forward. If there are equally effective ways forward let us all learn from them. But the onus of proof should be on each Department to prove that their system is better. Perhaps Derek Rayner would be the right person or the MPO to conduct such a monitoring exercise. Whoever it is, it must be a continuing process, the equivalent to PESC but for manpower, otherwise the old habits will live on. Further the process if properly worked gathers momentum. As one operates at lower levels of manpower things that didn't seem credible become possible.

B | Most controversial of all I believe that the details should be published. We have found ways of protecting the classified activities but everything else is freely available. By and large very little that government does in manpower terms needs to be protected and it is a great discipline.



The next opportunity to establish a systematic advance will be the government's reply to the Treasury select committee who have considered these matters and are, I understand, going to urge more positive action.

hmf

M.H.

15 March 1982



Faint, illegible text at the top of the page, possibly bleed-through from the reverse side.

1957



Faint text at the bottom right of the page.

MINISTERIAL INFORMATION SYSTEM, DOE(CENTRAL)

A background note based on recent experience

MINIS has undoubtedly been useful as a system for analysing the activities of the department, for assessing their effectiveness, and for measuring the resources (including particularly manpower) devoted to them. MINIS has enabled the Secretary of State to streamline his department by identifying and cutting low-priority activities and allocating manpower cuts more rationally than an across-the-board approach would have done.

2. MINIS is nevertheless a highly personal creation of the Secretary of State and one that takes up a disproportionate amount of his and other Ministers' time. It has some features that cause it to fall short of its potential as a tool of resource management. Because it preceded the development of a computerised management-information system, it fails to take advantage of modern technology, and much of the cost information is inaccurate.

3. These deficiencies will be corrected in time, but the cumbrousness of the manual system, combined with indifference and even hostility on the part of some reporting officers, and limited staff resources in the unit administering it, means that much of the qualitative information falls short of being adequate. A particular obstacle to its effectiveness as a reporting mechanism is the general perception that officials have of it as a staff-cutting tool, rather than a positive instrument of management.

4. However, there is enough awareness of the potential of MINIS as a management tool for senior officials in the DOE to be considering ways of ensuring that its survival does not depend on a particular Ministerial team. The development of a MINIS-type mechanism as part of a comprehensive management-accounting system is an aspect of the Government-wide running costs reviews

that should therefore be of considerable interest to the DOE and no doubt its officials will be watching for the outcome of the reviews with interest.

5. My own view is that MINIS as it now stands is too cumbersome, idiosyncratic and manpower-obsessed, to be readily transferable to other departments, but it embodies correct principles whose extension to other departments is to be supported.

C J P JOUBERT
23 March 1982



10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
SIR DEREK RAYNER'S OFFICE

The Efficiency Strategy 1982: The Scrutiny Programme (DES)

Thank you for your minute of 12 March. I have consulted the Prime Minister. She agrees that we should not press the DES to do a scrutiny of the UGC or of the Central London Polytechnic. She also agrees that you should encourage the Department to carry out a special scrutiny of the Research Councils (other than the SSRC) as their contribution to this year's scrutiny programme. The Prime Minister was concerned to hear that administrative expenditure on the Research Councils totals £26 million: she feels there must be some room for savings in this area.

W. F. S. RICKETT

15 March 1982

A



W. J. J. J.

10 DOWNING STREET

From the Private Secretary

Financial Management

The Prime Minister was grateful for the Chief Secretary's minute of 5 March, which she very much welcomed, and for the Chancellor of the Duchy of Lancaster's note of 10 March.

On internal audit, the Prime Minister looks forward to receiving the Chief Secretary's report. She is glad to hear that he will be able to let her have this very soon.

On external help, the Prime Minister agrees entirely with the Chief Secretary that the first priority must be getting action, not further general studies. She would like Sir Derek Rayner to be closely associated with the Treasury's work on management accounting and on the other aspects of financial management. She would also like to have the Chief Secretary's advice on the possible association of other outside helpers, with either or both of the central and departmental efforts to which he refers (in paras. 11 and 12). Some light may be thrown on this, including the possible cost, at the meeting with representatives of the Management Consultants Association.

The Prime Minister was interested in and encouraged by the Chief Secretary's analysis (paras. 4 and 5) and his proposed systematic campaign (paras. 7 - 13). She would very much like to have a chance to see the paper on financial management, including management accounting (para. 12), before it is issued to departments, and she hopes that Sir Derek Rayner can be given the opportunity to comment. She would also welcome a little more detail on how the effort to be made by the central departments is to be arranged, and how it will take into account the other work to which it relates (para. 13).

The Prime Minister would also welcome the Chief Secretary's advice on whether it would be a good idea to give Parliament a comprehensive statement on the various exercises in hand to improve the quality of financial management.

/ Finally,

Finally, the Prime Minister noted the Chief Secretary's references to investing in people and methods, including computing (paras. 8e and 10). She understands that work is in hand to extend the provision of training, including that of senior financial managers, and she would be very grateful for a report on what is intended.

I am copying this letter to John Kerr (Chancellor of the Exchequer's Office), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Jonathan Spencer (Department of Industry, Robert Lowson (Ministry of Agriculture, Fisheries and Food), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

WR

Terry Mathews, Esq.,
HM Treasury

Yes - 26 on an
administration
Mr RICKETT

Sounds like a very over
committed organisation

THE EFFICIENCY STRATEGY 1982:

Prime Minister

You will remember that you asked if we could
press DES to do a scrutiny of the UGC or the
Central London Poly. This minute from
Clive Priestley suggests that these scrutinies
are not really starters. Agree that we should
press DES to do a scrutiny on the Research Councils
(over main
the SSRG)?

THE SCRUTINY PROGRAMME (DES)

1. I have raised with DES the points you put to me in
your minute of 22 February about the University Grants
Committee and the Central London Polytechnic. I also saw
Sir James Hamilton about the latter at his request last
Friday.

2. I have now heard from Mrs Wildeas follows.

3. First, the UGC is not regarded as a starter for the
scrutiny programme. Its staffing has been thoroughly reviewed
by DES's own staff inspectors and its complement is expected
to complete a marked fall from 125 in 1976 to 75 (partly because
of new arrangements for control of capital projects). DES say
that they see no possibility of any further significant reductions.

4. More generally Sir Keith Joseph does not think that it
will be possible or timely to attempt a scrutiny of any part of
the UGC's activities as "this whole area is extremely sensitive
following the reaction to last year's grant allocations by the
Committee". However DES Ministers think that there should be
"a much fuller debate about the formulation of higher education
policy, including the role of the UGC". I understand that
Sir Keith Joseph has told the Prime Minister what he has in mind
and has undertaken to write to her again when he has considered
these matters further.

5. I think that that disposes for the UGC as a scrutiny
candidate.

6. Secondly, the Central London Polytechnic is to be the
subject of other action, which will probably hit the press
today. Sir Keith Joseph has written to Lord Hailsham (who
as you know has a family connection with the Polytechnic) about
this and I understand that he sent the Prime Minister a copy
of his letter.



7. In brief, the Inner London Education Authority have been so thoroughly alarmed about the Polytechnic's management of its financial affairs that when they announce today their grant-in-aid to the London Polytechnics for the academic year 1982-83 it is probable that the Polytechnic will not figure in the list of bodies receiving grants. This is because the Polytechnic's financial procedures are inadequate to manage any grant they receive, in the eyes of the ILEA. So the next step will be the establishment by the ILEA of a joint Committee with the Polytechnic Court to examine the Polytechnic's financial management. All this means that, in effect, the ILEA will be taking over direct financial control until satisfied that adequate financial procedures have been instituted.

8. As Sir Keith Joseph's letter to Lord Hailsham explains, none of this action is intended to cast doubt on the quality of the education provided by the Polytechnic, which is regarded as among the better institutions of its kind, with particular strengths in engineering and other vocational fields.

9. So I think that disposes of the Polytechnic also. Quite apart from the action already in hand, the Polytechnic is at two removes from the DES, being a limited liability company and receiving its public funding in the form of the annual grant-in-aid from the ILEA. But Sir Keith Joseph's inspectors will be keeping an eye on things.


10. Finally, DES are - as I expected - reluctant to find another subject for scrutiny within their area. Sir Keith Joseph has commissioned numerous studies of important policy issues from officials and wishes these to be carried forward as a matter of priority. DES say that, this being so, it is difficult to find a subject which is significant but has not already been reviewed.

11. Subject to the Prime Minister's views, I think the right course is to tell DES that their undertaking (although

purely formal, I am sure) to keep their eyes open for another possibility later in the year is noted and to let them off the hook on the UGC and the Polytechnic. However, if the Prime Minister agrees, I think we might fire a shot across their bows on the Research Councils sponsored by the DES, other than the Social Science Research Council which is the subject of a review under Lord Rothschild.

12. Net expenditure on the four other Research Councils (Agricultural, Medical, Natural Environment and Science) is about £10m (receipts from government departments and others being £90m). Administrative expenditure, including staff at HQ, totals £26m while the cost of the research establishments, including scientists and supporting staff, is £190m. Following last year's review of supporting services in R&D, on which Sir Derek Rayner will be reporting to the Prime Minister shortly, it is clear that there can be ample room for retrenchment and reform in such establishments. We could either sweep up the Research Councils in the follow-up to the R&D supporting services review as a matter of general application across government or press DES as their contribution to this year's scrutiny programme to do something special.

13. On the whole, my advice would be to press for the latter - less in the expectation of getting it - than in the belief that it would help us to secure the former.


C PRIESTLEY
12 March 1982



514

COMMERCIAL

1 2 MAR 1992



DRAFT OF 12 MARCH 1982

T F Matthews Esq
HM Treasury

FINANCIAL MANAGEMENT

The Prime Minister was grateful for the Chief Secretary's minute of 5 March, which she very much welcomed, and for the Chancellor of the Duchy of Lancaster's note of 10 March. ~~She has asked me to reply as follows, dealing first with the questions of internal audit and external help.~~

2. On internal audit, the Prime Minister ~~would be glad to know when the report to which the Chief Secretary refers will be available.~~ ^{notes that he hopes} She would like it before Easter if possible as she recalls that it is nearly a year since Sir Ian Bancroft and Sir Douglas Wass launched their ~~initiative with Departments in response to the Comptroller and Auditor General's criticisms.~~

3. On external help, the Prime Minister agrees ^{entirely} with the Chief Secretary that the first priority must be getting action, not further general studies. She would like Sir Derek Rayner to be closely associated with the Treasury's work on management accounting and on ^{also} other aspects of financial management. She would like to have the Chief Secretary's advice on the possible association of other

looks forward to receiving the Chief Secretary's report ~~which she is glad to hear that he will be able to let her have this very soon.~~

~~knows a little more detail~~

outside helpers, with either or both of the central and departmental efforts to which he refers (in paras. 11 and 12). Some light may be thrown on this, including the possible cost, at the meeting with representatives of the Management Consultants Association.

4. The Prime Minister was interested in and encouraged by the Chief Secretary's analysis (paras. 4 and 5) and his proposed systematic campaign (paras. 7 - 13). She would like to ^{have a chance to} see the paper on financial management, including management accounting (para. 12), before it is issued to departments, ^{and she hopes that} ~~to have~~ Sir Derek Rayner's ^{views}; ~~and to be~~ ^{can be given the opportunity to} ~~informed~~ ^{consult.} how it is intended that the effort to be made by the central departments (para. 11) is to be arranged. She thinks it important that the programme should be well presented to Ministers, ^{taking} into account the other work to which it relates (para. 13), ~~and she will want to give~~ ^{would also welcome the} it a fair wind. ~~The Prime Minister also thinks that it would be wise to give Parliament a comprehensive statement in due course of the various exercises in hand to improve the quality of financial management.~~ ^{Chief Secretary's advice on whether it ~~is~~ ^{it would be a good idea}}

5. Finally, the Prime Minister noted the Chief Secretary's references to investing in people and methods, including computing (paras. 8^e and 10). She very much agrees that thoroughness will be needed, but is well persuaded in principle of the need for investment. She understands that work is in hand to extend the provision of training,

including that of senior financial managers, ^{and} She would be *very*
for a report on what is intended. grateful if ~~she might be informed of what is intended, so~~
~~that she can take a view on it.~~

6. I am copying this letter to John Kerr (Chancellor of the Exchequer's Office), Jim Buckley (Chancellor of the Duchy of Lancaster's Office), Jonathan Spencer (Department of Industry), ~~Kate Timms~~ *Robert Lawson* (Ministry of Agriculture), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

PRIVATE SECRETARY

PERSONAL

Prime Minister 1

PRIME MINISTER

Yes
no

Content that I should write
to the Chief Secretary's Office
on the lines of the Draft at A?

The Chief Secretary's minute
is at B.

FINANCIAL MANAGEMENT

Wn
12/3

The Chief Secretary's encouraging minute to you of 5 March springs from the Government's programme of "lasting reforms" in the field of financial management. It spells out succinctly the range of work that has to be done to strengthen the structure of Government accounting. The clarity of the presentation encourages me to think that the Treasury means business. So I believe that the main need for you is to be encouraging in response and to ensure that the details of the "campaign" are sound. I attach a possible draft reply for your consideration; I think you will find that it explains itself.

2. Lady Young's minute of 10 March points out we have in balance two sorts of exercise this year. On the one hand practical reviews and on the other a combination of practical and more theoretical work contribute to getting "lasting reforms" translated from pious words into actual changes:

<u>Reviews</u> (intended to lead to action on scrutiny lines, MPO-led)	<u>Practical and theoretical work</u> (Treasury-led but MPO involved)
Control of departmental running costs	The nature, purposes and objectives of financial management
Management of self-contained executive operations ("response control reviews")	The framework of Govt. accounting
	*See Mr Brittan's para. 12
	Training for financial management



3. There is also other highly relevant work in hand, in or between the Treasury and MPO, including internal audit and the development of management audit.

4. I suggest that you should welcome the Chief Secretary's minute and offer the "systematic campaign" he envisages your support. The essential conditions are these:

- (1) As Lady Young says, the central departments must collaborate. If you decide to have a "management unit" of your own, I believe that one of its tasks should be making sure they do. If not, I think that you should require the Joint Heads of the Civil Service to agree a plan of action with you.
- (2) The campaign must be practical. The accounting framework is quite a good place to start the effort to make managers responsible, but the centre will be wise to be modest, to take good account of the differences between departments and - above all - to share the lead with the best of the Permanent Secretaries. Nor must anyone scorn the simple - great complexity and sophistication are not necessarily right. I believe I can contribute here and I hope that you will associate me with the central effort.
- (3) If we are indeed to have a campaign it must be planned, coherent, intelligible and sustained. And it must make sense in relation to everything else Ministers have in hand. Therefore it needs a designated leader. But I think that you might take that point on the next round when you have the Chief Secretary's reply to the letter I propose.



(4) The campaign must be about action. Therefore, the leader should establish in agreement with yourself and the central Ministers benchmarks for the measurement of progress and he should report to you regularly. That point too can be taken on the next round.

5. Finally, training for financial managers. There has been something of a heave forward here and the College has a new course for senior people next academic year. But as far as I can see, this is a first step. I suggest that you ask for a report on progress, so that you can take a view on this.

DEREK RAYNER

12 March 1982

CONQUEROR



Chancellor of the Duchy of Lancaster

Prime Minister 2

WM

10/3

Govt Machinery

mt

PRIME MINISTER

FINANCIAL MANAGEMENT

I greatly welcome the initiative by the Treasury which Leon Brittan describes in his minute to you of 5 March. There has been a great deal of work on financial management over the last couple of years and it is clearly right to use what has been learned to generate a powerful new thrust towards improved financial management in Departments generally.

Moreover the objectives of the initiative reach well beyond financial management into basic questions about the way Departments are organised and managed. Leon brings this out clearly in paragraph 5 of his minute, and he is right to connect it to the work of Derek Rayner (paragraph 6). This emphasises the importance of what is proposed.

The main task of the Management and Personnel Office is efficiency. This year we are co-ordinating 3 reviews: running costs; the control of resources in some executive operations; and personnel management arrangements. All 3 bear directly on this initiative on financial management, as well as on the development of managers, clarification of the responsibilities of line and central management in departments, and in relations between central and the other departments. Training is of critical importance here, and especially training in financial management itself.

We are therefore committed to the same central objectives and we shall be working together on this new initiative, on a collaborative basis, with the Treasury. Mr Cassels is in touch with Sir Douglas Wass to this end.

I am sending copies of this minute to the Chancellor of the Exchequer and the Chief Secretary, the Secretary of State for Industry, Minister of Agriculture, Sir Robert Armstrong and Sir Derek Rayner.

Tarset Young

BARONESS YOUNG

10 March 1982

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Treasury Chambers, Parliament Street, SW1P 3AG

Michael Scholar Esq
10 Downing Street
London SW1

8 March 1982

Dear Michael,

FINANCIAL MANAGEMENT

Paragraph 13 of the Chief Secretary's minute of 5 March to the Prime Minister referred, in error, to Sir Robert Armstrong. The proposals recently put to the Prime Minister for the 1982 efficiency strategy came of course from Sir Derek Rayner. *with a R*

I am copying this minute to John Kerr here, to Jim Buckley (CDL) Jonathan Spencer (DOI), Robert Lawson (MAFF) and to David Wright and Clive Priestley.

Yours sincerely
Terry Mathews

T F MATHEWS

Private Secretary

9 MAR 1982

12 1 2 3
9 8 7 6 5 4

COMPTON



Prime Minister

Jarrett

Encouraging signs that things are at last moving the right way.

WR
5/3

PRIME MINISTER

FINANCIAL MANAGEMENT

When I introduced the presentation on running costs at No. 10 on 24 February, I referred briefly to the initiative which the Treasury intends to take in this field. I think I should now give you a slightly fuller account of it, especially as it is relevant to the meeting you are to hold on 16 March with the Association of Management Consultants.

You are aware of the recent work in the Department of Environment, and John Nott has told you of the "Reeves Report" on the Ministry of Defence. In addition, we now have the two reports by consultants on the Ministry of Agriculture, Fisheries and Food and the Department of Industry, on which Peter Walker and Patrick Jenkin are reporting to you. While these and other studies have been in progress, the Financial Management Co-Ordination Group of officials, led by the Treasury, have been working on a formulation of general doctrine for government departments generally.

I asked MAPP and Dot to report to you before the meeting with the MCA.

WR
5/3

These various pieces of work can now be pulled together and a general programme of action derived from them.

There is a common message coming out of all this work, including the Treasury's. It is repeated in the paper sent to you by the Association of Management Consultants. It is likely to reappear in the forthcoming report by the Treasury and Civil Service Sub-Committee on civil service efficiency. One must recognise that there are important differences between departments, in size, complexity, in the nature of the job; and that the realities of the political field often limit or complicate the application of

the structures and practices of commerce, a point of which the consultants' reports do not always show sufficient understanding. Nevertheless the common message is broadly valid.

5. The message is that departments need both an organisation and a system in which managers at all levels have:-

- a) a clear view of their objectives; and a means of assessing, and wherever possible measuring, their outputs;
- b) comprehensive information about the costs of their operations;
- c) well-defined responsibility for making the best use of their resources;
- d) suitable training and access to expert advice.

6. There is a close correspondence between this and what Derek Rayner has been saying to us all. Much has been going on in various departments to push it forward. The time has now come for a more systematic campaign.

7. The Treasury sees the development of the management accounting approach as a central feature of this campaign. It is not the accounting itself that is crucial, but the discipline of breaking down a department's activity between managers whose responsibilities can be more clearly distinguished and objectives more clearly defined; whose costs and outputs can be more accurately assessed; and to whom greater authority can then be delegated to choose the best way of using the resources allocated to them in pursuit of the defined objectives. The process of setting up a management accounting system, if properly planned and carried through, imposes that discipline.

8. We need:-

- a) to advance in planned stages;
- b) to take care that, once the overall structure has been established, the detailed component parts provide the information which managers at successive levels really need for the purpose of their particular jobs;
- c) to ensure that the accounting system is used for planning and control and is not relegated to the status of an optional extra; the Treasury will need to consider with departments how best to integrate their new systems with the systems of the public expenditure Survey, Estimates etc, which may need some modification;
- d) to put more effort into the development of output measures and indicators of performance;
- e) to develop training and career management so that managers can put the improved systems and techniques to good use.

9. This is a major development in civil service management, and a difficult one. As was mentioned at your seminar the other day, there can be tension, both concerning the central and other departments, and within a department, between the theme of more responsibility for line managers, and that of a more prescriptive role for the centre. The change will affect management practices, and in many cases organisational structure, quite widely. It is most readily applicable to field operations and self-contained units and establishments. Both the concept and its application are more difficult in relation to divisions at headquarters concerned with policy making and advice to Ministers; but even here there is scope for useful advance, as Michael Heseltine's presentation showed.

10. To push this through fully, learning and modifying as we go, will take time, perhaps 5 years or more. It will involve a heavy call on resources, both in skilled staff and in money eg for computerisation. We shall do no good by hastily cobbling up mechanistic devices which fall into disuse because they do not in the event help the managers to manage.

11. But we can make a start by a central effort now to encourage and push forward and spread what is already in hand in the lead departments.

12. Within the next few weeks, the Treasury intends to issue a paper, after consultation first with selected Permanent Secretaries. This will set out the objectives just outlined, and describe the relevance of management accounting, for which more detailed suggestions for implementation will be promulgated in a separate document. All major departments will be invited to draw up their own programmes of development and discuss them with the Treasury in the course of 1982.

13. The programmes will vary from one department to another. They should build on the work already done or planned, for example as part of the efficiency strategy for 1982 on which Sir ^{Derek Rayner} [Robert Armstrong] recently put proposals to you.

14. You have also called for a progress report on internal audit. A sound audit system becomes even more necessary as authority is delegated to line managers, and the improvement of audit is therefore a part of the programme I have outlined. The Treasury are reviewing the progress made so far. I hope to report to you very soon.

15. A number of departments will need external help, eg from consultants. Not, I think, in the shape of more general studies on the lines of the MAFF and Industry reports; Whitehall is now awash with documents that tell the Government what to do. But help may well be required with how to do it.

You should see Sir Derek Rayner's commentary which is about the value of management accountants (attached) wh
5/3

16. Copies of this minute go to the Chancellor of the Exchequer, the Chancellor of the Duchy of Lancaster, the Secretary of State for Industry and the Minister of Agriculture, Sir Robert Armstrong and Sir Derek Rayner.

L.B.

LEON BRITTAN
5 March 1982

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CONFIDENTIAL

Mr RICKETT



THE EFFICIENCY STRATEGY 1982: MINISTRY OF DEFENCE

We spoke this morning and I now intend to send Mr Omand (MOD) the attached letter, which draws on the draft I submitted last Friday. Please let me know if the letter does not suit.

CP

C PRIESTLEY
1 March 1982

I have told Mr Priestley this is OK.

Enc: Letter to Mr Omand

As subject

2/3

Mr Whitmore

Yes. OK

Clive Priestley wants to convey the Prime Minister's reactions on MOD's proposed savings programme to David Omand, leaving out the sensitive suggestion that the programme should be extended. He particularly wants to make points A & B (see attached). I can see no objection. Agree? LM 1/3



Sar Mac

CABINET OFFICE

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

March 1982

D Omand Esq
Private Secretary to the
Secretary of State for Defence

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

Owing to the late submission of some Ministers' proposals in response to Clive Whitmore's Dear Private Secretary letter of 15 December, it is only recently that the Prime Minister has been able to consider all the proposals together. Mrs Thatcher was grateful for your Secretary of State's minute of 15 January, which she read with sympathy as she appreciates the size and complexity of the tasks of management in your Ministry and the painful nature of decisions either taken or to be taken in some areas.

2. The Prime Minister is well content with Mr Nott's proposal that there should be scrutinies this year of his Ministry's arrangements for dealing with Service and civilian pensions and for the issue of Service pay. She thinks that these are both good subjects, well worth doing, which may turn out to have important implications for other aspects of Service management. She would like to be informed later whether this proves to be the case. She has asked Sir Derek Rayner to take a particular interest in them both on her behalf.

3. The Prime Minister is also pleased with the proposals that RAF Support Command and individual training associated with it and the Meteorological Office should be included in the programme of Resource Control Reviews. She thinks both subjects excellent and their inclusion in the programme a first-rate example to other Departments.

4. The Prime Minister also noted your Secretary of State's reference to his new Directorate-General of Management Audit, whose establishment last year she very much welcomed. She thinks that, because your Ministry is now well on the way to being better equipped for the intensive examination of costly areas of work, the Civil Service as a whole would have much to learn from the work of the new Directorate and she hopes that opportunities for this can be provided from time to time.

5. I am copying this letter to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's office) and David Wright (Cabinet Office).

C PRIESTLEY



11 APR 1962





FILE SW

Govt Mach

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY
Sir Derek Rayner's Office

Projects, Scrutinies and Service-wide Reviews,
1979-81

The Prime Minister was grateful for Sir Derek Rayner's minute of 26 February, enclosing a progress report on these exercises. She is content for Sir Derek to circulate his report to colleagues and to Permanent Secretaries, and to use it as a basis for dealing with enquiries about progress from the Treasury and Civil Service Select Committee and elsewhere. She also notes that Sir Derek will be considering with the Joint Heads of the Civil Service and other Permanent Secretaries how to establish the scrutiny technique as the foundation of management audit in the Civil Service.

I am copying this to Mr. Colman (Sir Douglas Wass' Office), Mr. Wright (Cabinet Office) and to Miss Goodison (Mr. Cassels' office).

W. F. S. RICKETT

1 March, 1982

A

pa.

PRIME MINISTER

I think not. Let us get Trident on a two other things over

Efficiency Strategy 1982: the MOD

You agreed in January that I should delay writing to Mr. Nott's Office in the terms of the draft at Flag C because of certain difficulties we were facing then.

hope we can make this not

I don't believe that those particular problems are ever going to be entirely behind us, but I think that they are at present slightly less worrying than they were two or three weeks ago. I think therefore that now would be as good a moment as any to write urging Mr. Nott to extend his resource control reviews into the areas of Army and Navy support*. May I do so?

John

26 February, 1982.

* the draft on flag C will need amending slightly to take account of the passage of time since it was prepared.

Prime Minister 1

MA. J.

I suggest you concentrate on this note and Sir Derek's main report.

Content for Sir Derek to circulate the main report to colleagues?

Yes
mt

WSR
26/2

PRIME MINISTER

PROJECTS, SCRUTINIES AND SERVICE-WIDE REVIEWS, 1979-81

I attach a progress report on these exercises. The purpose of this covering note is to point up the main facts and to comment on them. The annexes serve as a record for this unit, the centre and departments. I do not recommend that you commit your time to study of the details.

The facts

2. The exercises contribute to the Government's policies for slimmer, less costly and more effective administration. They are only part of a large number of Government-wide and departmental exercises: indeed, the attention given by this Government to the cost-effectiveness of administration and the period over which it has been sustained are without any parallel known to me in the history of central government. So I do not claim the centre of the stage for "Rayner" exercises. However, the "Rayner" exercises continue to show that in return for a comparatively inexpensive investment of high quality staff, Ministers can reap substantial benefits for the taxpayer.

3. The input to and output from Rayner exercises may be summarised thus:

	No	No and cost of examining officers	Value of* potential savings	Value of decisions taken
Rayner projects 1979	29	31 £0.3m	£67m pa £28m once- for-all	£66.75m pa £28m once- for-all
Scrutiny programme 1980	39	71 £0.7m	£128m pa	£43m pa
Scrutiny programme 1981	41 (29 com- pleted)	80 £0.9m (so far)	£50m pa (from 29 scru- tinies)	£13.1m pa
Review of GSS 1980	19	24 £0.3m	£18m pa	£16.3m pa
Review of Administrative Forms	9	24 £0.25m	Quantified savings of £0.3m pa already agreed but further savings in processing of many times this will also be achieved	
Review of Support Services for R & D 1981	7	16 £0.5m (estima- ted)	Likely savings of £13m pa, 1400 posts and scope for dis- posing of 300 acres and 250,000 square feet of office space	-

4. The potential return on investment of staff time is therefore nearly 100 : 1. The actual rate of return from decisions so far taken is nearly 50 : 1.

* (excluding savings from recommendations which have been rejected or which were found to be otherwise unattainable).

Commentary

5. Some scrutinies continue to show that efficiency and cost-effectiveness are not seen by Ministers as black and white issues. The political view makes a trade-off between the value of increased efficiency and the probable disturbance of other interests or of "other fish to fry". Examples of this are to be found in the Rating of Government Property Department (report para. 8), aspects of Schedule D (para. 13) and VAT de-registration of small traders (para. 13). It would be fair to the civil service to have this in mind: the price of some political decisions will be an added cost for the taxpayer.

6. Equally, some Departments have made good and courageous use of scrutinies to get after some potentially controversial issues as well as using the scrutiny technique sequentially to help in their longer term effort to improve their administration. The main examples of this are the Revenue Departments, DHSS and the MSC, all "big systems" departments.

7. Perhaps the crucial consideration here is the attention paid by scrutinies to detail. Examining what actually happens on the ground, at what cost and with what added value provides factual evidence of an incontrovertible kind which assists Ministers and higher management in getting reforms they may have long contemplated but lacked data hard enough to stand on. Important examples of this are to be found in the Ministry of Defence studies of expenditure control and financial accountability last year.

8. Good use of the detailed scrutiny technique tends to show up some of the earlier management audit work in a poor light. Perhaps the best example of this is in last year's Government-wide review of supporting services for R & D in the Ministry of Defence. The Ministry's conventional audit had shown that the services were satisfactory. The scrutiny has in fact shown that there are potential savings of £8.7m current expenditure and nearly 1100 posts. Overall the scrutiny technique continues to produce potential savings which

are a substantial proportion of the total examined. For example, the scrutiny of Schedule D tax recommended savings of £16.2m a year, 17% of the total examined, and the scrutiny of the validation of National Insurance contributions recommended savings of £14.55m, about 35% of the total examined.

9. By contrast, when departments or their examining officers fail to use the scrutiny techniques and rely instead on counting heads and on describing rather than analysing what they see, the lack of hard data leaves the field wide open for the established order and vested interests to hold their own.

10. Additionally, there have been some signs of Departments breaking the rules of the scrutiny programme, notably not collecting good evidence and taking a long time about it. I propose to be cautious in future about agreeing to variations which might encourage bad habits.

Conclusions

11. I conclude from the foregoing that the scrutiny technique is now well established in many parts of central Government; that it has proved its worth; that it brings into question the utility of many existing methods of management audit, and that, not least because the scrutiny programme cannot for ever continue to have its present high profile, one of the questions for consideration this year is how we should establish the technique as the foundation of management audit. I propose to consider this question with the Joint Heads of the Civil Service and other Permanent Secretaries and to make proposals to you in due course.

12. I propose, if you agree, to arrange for the circulation of the attached report to your colleagues and their Permanent Secretaries and to use it as the basis for dealing with enquiries about progress from the Treasury and Civil Service Select Committee and elsewhere.

13. I am copying these papers to the Joint Heads of
the Civil Service and Mr Cassels.



DEREK RAYNER

26 February 1982

ENC: Report, plus Annexes A - D

CONQUEROR

PRIME MINISTER

PROJECTS, SCRUTINIES AND SERVICE-WIDE REVIEWS, 1979-81

This minute:

- (1) reports on progress with implementing the 1979 "Rayner Projects" and the 1980 scrutiny programme;
- (2) provides an interim report on the 1981 scrutiny programme; and
- (3) reports on the implementation of the Service-wide review of Government Statistical Services (1980) and on the state of play on last year's review of R & D Supporting Services. (Administrative forms were the subject of my submission of 12 January and of a White Paper published on 17 February and are not further dealt with here.)

RAYNER PROJECTS, 1979

2. Annex A summarises progress towards implementing the 29 projects undertaken in 1979.
3. Decisions have been taken to implement recommendations from 25 projects. Sixteen projects have either been implemented already or will be implemented by the end of the year. Another 7 will be implemented by the end of next year, and the remaining 2 (Department of Industry's scrutiny of statistical services and Department of Trade's services to exporters) by 1984/85 and 1985/86 respectively.

4. Decisions on recommendations have still to be taken on aspects of three of the projects:

- (1) Ministry of Defence: Food supply to the Armed Forces. The main recommendations have been accepted, but no decision has yet been taken on the proposal that operational responsibility food supply should be transferred to NAAFI. It is now expected before the middle of the year.
- (2) Department of Energy: Organisation of R & D in New Energy Technologies. Further reviews have been conducted but no decisions have been taken on the main issue of whether to transfer two units within UKAEA back to the department.
- (3) Department of Education and Science: Administration of Teachers' Pension Schemes. The recommendations have been accepted in part, but decisions on whether to transfer part of the work of pension payments from the Paymaster General's Office to DES and whether to charge private sector employers have not yet been taken. I expect them within 3 months.

5. The scope for savings* from the 29 projects is £67 million per annum (and about 1500 posts) and £28 million once-for-all. So far decisions have been taken in principle which will secure all but £0.25 million per annum of these savings. More than £26 million per annum will be saved by the end of this financial year and more than £20 million of the once-for-all savings. The remainder build up over the period to 1987/88.

*(excluding savings from recommendations which have been rejected or which were found subsequently to have been estimated inaccurately).

SCRUTINY PROGRAMME 1980

6. Annex B shows progress with implementing the 39 scrutinies mounted in 1980. The scope for savings from these scrutinies is about £128m per annum and 9300 posts. Decisions have been taken in principle which will save nearly £43 million per annum and about 4500 posts. By the end of this financial year, about £11½ million of this will have been achieved so there is still a wide gap between the potential identified and achievement.

7. The main recommendations of 31 scrutinies have been accepted. Decisions are outstanding in the following 6 scrutinies:

- (1) Department of Employment/Department of Health and Social Security: Delivery of Benefits to the Unemployed. The report identified annual potential savings of £77.5 million and 5000 posts (but also the need for a once-for-all expenditure of £45 - 90 million). Decisions have been taken which will save £12.4 million. Conclusions have not yet been reached on the proposals for the unemployed sick, responsibility for benefit computers, milk tokens and other procedural changes. Ministers have decided that the costs of going for "one office" (ie a single DE/DHSS local office) are too high, but work is in hand on a simplified short-term supplementary benefit scheme. So far the Treasury has not accepted that the recommendations for improving the public areas of Unemployment Benefit Offices should be financed out of savings which have already been made from other recommendations in the report. The appropriate Ministerial committee will be recommended to approve expenditure on public areas out of savings yet to be made.
- (2) Inland Revenue: Review of Rating Procedures. Decisions on this scrutiny (potential savings £1.9 million per annum) await Ministers' conclusions

following consultations on the Green Paper on Rating.

- (3) HM Customs and Excise: Insolvent Taxpayers.
Decisions so far taken will save £0.14 million a year: others on proposals which could save a further £0.24 million a year are still outstanding.
- (4) Department of Health and Social Security:
Validation of National Insurance Contribution Records.
Decisions so far made will save £6.55 million per annum by 1983. Decisions on the "comparability check" package which could save another £8 million per annum are expected by the Spring.
- (5) Department of Education and Science: Administration of Student Awards. The report identified scope for saving £1.9 million a year. Decisions have been delayed pending decisions on the wider policy issue of loans v grants.
- (6) Department of Transport: Certification of Roads and Bridges. Potential savings are about £1 million per annum. Decisions are expected by the Spring.

8. Two scrutinies will not be implemented. The recommendations of the Department of the Environment's scrutiny of financial control of the water industry were overtaken by the decision that the water industry should have the same financial framework as a nationalised industry. And Ministers have rejected the recommendations of the Treasury's scrutiny into the work of the Rating of Government Property Department, that payments to local authorities in lieu of rates should be absorbed in block grants (saving £0.43 million and 32 posts).

SERVICE-WIDE REVIEW OF GOVERNMENT STATISTICAL SERVICES (1980)

9. The review identified savings of £19.4 million per annum. It is now expected that £9.8 million will be achieved by April 1982 and another £6.6 million by April 1984. For the rest, savings of £1.5 million are now thought not achievable and decisions have not yet been taken on recommendations amounting to £1.7 million: they are expected in the next six months.

SCRUTINY PROGRAMME 1981

10. 41 scrutinies were started during 1981 of which 25 were designated as being of particular interest. The state of play is summarised in Annex C. Thirty have been completed and work is well advanced on all but one of the remainder. This is the scrutiny of the Treasury's role in promoting efficient systems of financial control in departments.

11. The scrutinies so far completed identify potential savings of about £50 million per annum and about 6500 posts (see table at Annex D).

12. Decisions have so far been taken on only 7 scrutinies. The Ministry of Defence has accepted the general thrust of the scrutiny of MOD(PE) expenditure control and has also agreed all the main recommendations of the scrutiny of Service personnel movement. The recommendations on non-staff running costs in DOE (Central) have, as you know, been accepted in full and is being implemented. All the recommendations on Post Office errors (Department for National Savings) have been accepted in principle (with potential savings of £0.6m per annum in staff costs and reduced agency charges). Decisions taken on the Inland Revenue scrutiny of Schedule D tax which will save £12.35 million and 1775 posts. The main recommendations of the Health and Safety Executive's scrutiny of approvals and certifications have been accepted subject to consultations. The main recommendations of the Treasury scrutiny of typing and secretarial services have also been accepted; these are expected to save about £125,000 per annum.

13. Ministers have rejected:

- (1) Proposals made as part of the Schedule D scrutiny for changing the way in which tax is levied and repaid on maintenance payments and for the selective issue of returns. Potential saving of £3.6 million per annum and 320 posts will be foregone in consequence.
- (2) Compulsory de-registration of small traders, recommended by the scrutiny report on VAT registration and de-registration (Customs and Excise), has also been rejected (on political grounds). Savings of £3 million per annum and 370 posts (out of a total of £4.1 million per annum and 539 posts identified in the report) will be foregone in consequence.

14. Action documents become due on scrutiny reports three months after reports are submitted. On the 1981 programme, 11 action documents are now outstanding. I place great importance on reports being implemented as quickly as possible and departments are being asked to keep up the pressure for prompt action.

15. The average saving in money and posts from scrutinies so far completed in 1981 is less than for the 1980 scrutinies. This is partly because the 1981 programme did not contain a scrutiny comparable in size to that of the delivery of benefits to the unemployed. Also, some very large and important scrutinies (for example, two in the Manpower Services Commission on employment services and the field organisation of the new Training and Special Programmes Division) are not yet finished.

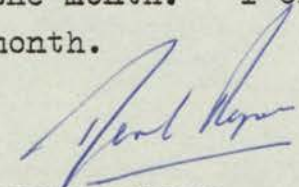
16. There has again been excellent work by examining officers and some Ministers have continued to make good progress towards simplifying administration (notably in the Revenue departments, DHSS, the Manpower Services Commission, DNS and the FCO).

17. Scrutinies are not just about finding savings, however. In many cases departments are using scrutinies to get after the systems for controlling and managing men and money. Examples from the 1981 programme include the Treasury scrutiny of its role in promoting efficient financial control systems in departments (still to be completed); the control of administrative costs in DOE (Central); the two Ministry of Defence scrutinies on financial control and accountability and, in part, the Ministry of Defence scrutiny on Service personnel movement. These scrutinies do not lead to immediate savings; their main concern is with putting right the underlying causes of ineffective financial management. This is essential if we are to get lasting improvements and I very much welcome this development, provided the programme continues to include a majority of scrutinies which are about the improvement of particular functions, operations and activities which identify and implement practical measures to hold down costs and increase efficiency.

SERVICE-WIDE REVIEW OF SUPPORTING SERVICES IN R & D AND ALLIED SCIENTIFIC ESTABLISHMENTS 1981

18. The review is nearing completion. It is expected to make recommendations that will save about 1,400 posts (£13 million) and enable about 250,000 square feet of office and other buildings and 300 acres of land to be released.

19. Seven Departments have taken part. The report on the Central Veterinary Laboratory (Ministry of Agriculture, Fisheries and Food) and that on the Forensic Science Service (Home Office) were presented in December. Reports on the Ministry of Defence, Department of the Environment, Foreign and Commonwealth Office (Overseas Development Administration), and Department of Transport have been submitted recently and that for the Department of Industry is expected by the end of the month. I expect to submit my report to you early next month.


DEREK RAYNER

26 February 1982

1979 RAYNER PROJECTS

DEPARTMENT	SCRUTINY	SAVINGS		IMPLEMENTATION	COMMENTS
		£p.a.	POSTS		
Home Office	Radio Regulatory Department	£2.45m	8	1983	All main recommendations accepted. Most of the savings (£2.3m) from increased charges for licences. Over half already achieved.
Lord Chancellor's Department	Attachment of earnings procedure.	-	-	Completed	All main recommendations accepted. Report concerned with streamlined procedures. Better service, rather than savings.
Foreign and Commonwealth Office	Merger of FCO and ODA	£0.59m	30	Completed	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.
HM Treasury	Paper Handling and The Registry System	£0.15m	18	Completed	All of report's main recommendations accepted and implemented.
Inland Revenue	PAYE Movements Procedure	£2.15m	350	Completed	All of report's main recommendations accepted and implemented.
Customs and Excise	Review of London and South East Collections	£0.96m	68	Completed	All of report's main recommendations accepted and implemented.
Department for National Savings	Handling of Correspondence with members of the public	£0.28m	20	Completed	All of report's main recommendations accepted and implemented.

1979 RAYNER PROJECTS

DEPARTMENT	SCRUTINY	SAVINGS £p.a.	POSTS	IMPLEMENTATION	COMMENTS
Department of Industry	Review of Statistical Services	£0.81m	70	1984/85	Most of recommendations accepted. Over half of savings already achieved.
Civil Service Department	Charging for courses at Civil Service College	-	-	April 1983	A dry run of a scheme for repayment for courses will start this year leading to full repayment from April 1983.
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	1982/83	Main recommendations accepted and most of savings already achieved. Proposal for closure of offices put on ice due to increase in unemployment (potential additional savings of £0.35 m).
Manpower Services Commission	Review of Skill Centre Network	£5.1m plus £20.8m once-and-for-all	400	1983/84	MSC carried report's analysis further forward in its rationalisation proposals. Most of recommendations already implemented. Closure of two centres subject to review.

1979 RAYNER PROJECTS

DEPARTMENT	SCRUTINY	SAVINGS		IMPLEMENTATION	COMMENTS
		£p. a.	POSTS		
Manpower Services Commission	Review of TOPS Allowances	£4.0m	23	Completed	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 <u>plus</u> £3.5m once-and-for-all	7	1982	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-and-for-all savings already achieved.
Ministry of Agriculture	Administration of capital grants to farmers.	£2.0m	380	See comments	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 the Environment	Provision of Management information for Ministers	-	-	Completed	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	-	-	Completed	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.

1979 RAYNER PROJECTS

DEPARTMENT	SCRUTINY	SAVINGS £p.a.	POSTS	IMPLEMENTATION	COMMENTS
Property Services Agency	Energy Conservation on the Government estate	-	-	Completed	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-and-for-all	17	1982/83	Most main recommendations accepted. Those rejected (with savings foregone of £2.1m once-and-for-all and £0.1m annually) will be offset by other property disposals. Savings of £0.17m p.a. and £1.3m once-and-for-all 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.
Welsh Office	Controls over local authorities in respect of highways.	£0.11m plus £0.01m once-and-for-all	10	Completed	Recommendations accepted and implemented.
Welsh Office	Controls over LEA buildings.	£0.07m	9	Completed	Recommendations accepted and implemented.

1979 RAYNER PROJECTS

DEPARTMENT	SCRUTINY	SAVINGS £p.a.	POSTS	IMPLEMENTATION	COMMENTS
Northern Ireland Office	Rate collection system in Northern Ireland	£1.2m <u>plus</u> £0.05m once-and-for-all	162	April 1983	Recommendations accepted in the main. Number of offices to be reduced from 26 to 13 rather than 9 as recommended. Savings of 28 posts foregone. Long implementation period because of computerisation (capital cost £1.4m).
Northern Ireland Office	Methods of recovering public debt.	-	-	end 1981- beginning 1982	Report about improving methods rather than about savings. Most recommendations accepted and implemented. One proposal on attachment of benefits and another on tracing debtors have been rejected.
Department of Health and Social Security	Frequency and methods of benefit payments	£35m	+300	End 1983	Recommendations accepted in part only. Savings of £35-40m foregone as a result of recommendations rejected. Savings build up over period to 1987/88 with half achieved by 1984/85.
Department of Trade	Services to exporters.	£9.8m	103	1985/86	Main recommendations accepted except that there will not be 100 per cent recovery of full costs of trade fairs (£4m foregone). Ministers have taken decisions on reorganising the work. £5m of savings achieved by April 1982.
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. No decisions yet taken.

1979 RAYNER PROJECTS

DEPARTMENT	SCRUTINY	SAVINGS £p.a.	POSTS	IMPLEMENTATION	COMMENTS
Department of Education and Science	Administration of teachers' pensions schemes.	-	-	See Comments	Main recommendations accepted. Decisions yet to be taken on two follow-up studies on transferring some PGO work and charging private sector employers.
Department of Transport	Review of Road Construction Units.	-	-	See comments	Main recommendations accepted. Most have been implemented. Report aimed at privatisation of most trunk road and motorway building. 1400 LA staff will be transferred at a once-for-all cost of £6m.

Department	Scrutiny	Savings		Implementation	Comments
		£ pa	posts		
Home Office	Applications for naturalisation and registration as a UK citizen.	-	+ 10	(see comments)	Recommendations already implemented in the main. Remainder (about 5%) will be implemented following commencement of British Nationality Act on 1.1.83
Lord Chancellor's Department	Administrative arrangements for jury service	£ 0.16m	-	Complete	All the report's main recommendations accepted. Those rejected do not affect savings. Revised instructions to Crown courts issued December 1981.
Foreign and Commonwealth Office	Official transport abroad	£ 0.3m	26	Summer/Autumn 1982	All the report's main recommendations accepted and implemented. Only one item outstanding.
ODA	Directorate of overseas surveys (DOS)	£ 2.3m (but see comments)	170-180	Already begun. Complete by 1984/85	All main recommendations accepted. Transfer of DOS to Ordnance Survey subject to consent of DOE Ministers. Savings of £2.3m likely to be offset in part by cost of work contracted out and reduction in demand.
HM Treasury	Monitoring of central government expenditure	-	-	Early 1982	Main recommendations accepted. Most already implemented. Scrutiny concerned with more effective control of expenditure rather than immediate savings.
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	-	-	-	Report recommended that payments to local authorities in lieu of rates should be absorbed in block grants. (Identified savings of £0.43m and 32 posts). Proposals rejected by Ministers.

1980 SCRUTINY PROGRAMME

Department	Scrutiny	Savings		Implementation	Comments
		£ pa	posts		
Inland Revenue	PAYE deduction cards	£3.8m	700	April 1981	Scrutiny report followed up by a further study. Savings reflect this. All recommendations accepted except one (£0.3m pa foregone)
Inland Revenue	Use of accounts registers in tax districts	£1.0m	190	Complete	All recommendations accepted and implemented
Inland Revenue	Review of rating procedures	£1.9m	300	See comments	No decisions yet taken. Awaiting consultations on Green Paper on rating.
HM Customs and Excise	Arrangements for dealing with insolvent taxpayers	£0.38m	53	See comments	Decisions so far taken will save £0.14m by 1984/85. No timetable as yet for decisions on other main recommendations. Subject to further study.
HM Customs and Excise	Control of distilleries and associated warehouses	£1.2m	123	1984/85	All recommendations accepted subject to slight modification. Timetable 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 Bond	-	-	October 1983	Recommendation accepted and implementation begun. Scrutiny about 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 (£0.35m foregone from those rejected). Majority already implemented.

1980 SCRUTINY PROGRAMME

Department	Scrutiny	Savings		Implementation	Comments
		£ pa	posts		
Paymaster General's Office	Working Relationship between PGO and the Banks	£ 0.04m	3½	Complete	Recommendation accepted and implemented.
CSD (now HM Treasury)	Technical Services of CCTA	£ 0.44m	(see comments)	1984/85	The report proposed staff savings of £ 0.33m. This was notional since staff in post was below complement. The main recommendations have been accepted. That for transferring some services to PSA was rejected.
DE/DHSS	Payment of benefits to the unemployed	£ 77.5m Once for all cost of £ 45 - £ 90m See comments	5000		Decisions have so far been taken which will save £ 12.4m by 1984/85. The "one office" proposal has been rejected for the time being, but consideration is being given to a simplified short-term supplementary benefit scheme which would achieve the objectives of "one office" more cheaply.
Manpower Services Commission	Review of TSD Organisation	0.53m But see comments	40	Complete	The report's main recommendations for an interim merger of SPD and TSD leading to full merger in 1983 have been accepted. The interim merger has been effected. Further savings are likely from full merger.
Health and Safety Executive	Problems of assessing the costs and benefits of health and safety requirements	-	-	Complete	Report's recommendations accepted. Scrutiny concerned about getting a framework for decision-making and therefore long-term savings rather than immediate savings.
Ministry of Defence	The Claims Commission	£ 1.98m See comments	79		Main recommendations accepted. Savings to MOD and Treasury Solicitor. Implementation begun. Net cost in years 1 and 2. Break even year 3. Saving of £ 1m in year 4 leading to savings of £ 1.98m in year 9 and subsequent years.

1980 SCRUTINY PROGRAMME

Department	Scrutiny	Savings £ pa	posts	Implementation	Comments
Ministry of Defence	Provision of Secondary Education overseas	£ 2.73m (once and for all cost £ 0.23m)	228	July 1983	Main recommendations accepted. Implementation has begun.
Ministry of Defence	Economy in major new building works	-	-	See comments	The majority of the report's recommendations have been accepted and implemented. Others will be implemented as new works requirements arise. The report was not concerned with immediate savings but with standardisation and better use of resources.
Ministry of Defence	Inspection and audit	£ 1.35m	200 but see	1981/82 comments	Report proposed a reduction in staff of 200 (£ 2.7m). - 30% of overall staffing levels. Ministers decided on an initial target of 10% and to examine further scope for more savings.
Ministry of Defence	Assisted travel schemes	£ 1.2m	-	1982/83	Most of report's recommendations accepted and implemented already.
Ministry of Agriculture, Fisheries and Food	Enforcement of quality standards for horticultural produce and Egg Marketing Inspectorate.	£ 0.17m	11	April 1982	All but seven of the report's recommendations were accepted. As a result £80,000 of the report's indentified savings will be foregone.
Department of the Environment	Financial control of the water industry	-	-	See comments	Report overtaken by Ministerial decision that the water industry should have the same financial framework as nationalised industries.

1980 SCRUTINY PROGRAMME

Department	Scrutiny	Savings		Implementation	Comments
		£ pa	posts		
Departments of Environment and Transport	Joint DOE/DTP regional offices	£ 1.52m	92	See comments	Main recommendations accepted. Procedural changes (saving about £ 0.52m) to be implemented by 1982/83. Remainder (from merging RO/RCU) by about 1984/85.
Property Services Agency	Works Transport	£ 0.33m	5	January 1982	All main recommendations accepted and implemented
Scottish Office	Advisory and monitoring functions of Scottish Development Dept.	£ 0.06m	3½	1981/82	All main recommendations accepted and implemented
Forestry Commission	Administration of Private Woodland Grants and control of felling	£ 0.36m	47	New scheme implemented July 1981 (see comments)	Decisions on a new scheme have been taken which will save £ 0.36m (30 staff). Recommendations which could have saved another £ 0.23m (+17 staff) have been rejected.
Welsh Office	Procedures for processing major NHS building projects	£ 0.11m	5½	See comments	All main recommendations accepted and savings achieved. One remaining recommendation will be implemented by April 1983
Northern Ireland Office	Financial administration in Northern Ireland	-	-	April 1982	Report concerned with providing a framework for effective management control. All main recommendations have been agreed.

1980 SCRUTINY PROGRAMME

Department	Scrutiny	Savings		Implementation	Comments
		£ pa	posts		
Department of Health and Social Security	Activities in support of health care exports	£ 0.45m	24	1 April 1982	All main recommendations accepted. Half savings already achieved.
Department of Health and Social Security	Validation of National Insurance contribution records.	£ 14.55m	1605 See Comments	1984/85	Ministers have decided to accept recommendations which will save £ 6.55m and 655 posts by 1983. Decisions on the comparability check package (which could save another £ 8m by 1984/85) are expected soon.
Department of Trade	Review of the Patent Office	£ 3.5m	268	See comments	The main recommendations have been accepted and will be implemented by end 1982. The need for extensive computerisation means that implementation will not be completed until 1985/86.
Department of Energy	Economic and Statistical Services	£ 0.17m	9	1 April 1983	All main recommendations accepted and majority of savings already achieved.
Department of Education and Science	Administration of Student Awards	£ 1.9m	-	See comments	Decisions delayed pending consideration of student loans. No estimate available of when they are expected.
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.
Department of Transport	Certification of Roads and Bridges	£ 1m	About 50	See comments	Decisions are expected early this year.

SCRUTINY PROGRAMME 1981

HOME OFFICE

Scrutiny

The Forensic Science Service.

Main findings and recommendations

Identified relatively open-ended demand which the laboratories are struggling to handle.

Proposes improvements in liaison between laboratories and their main customers (the police) involving, amongst other things, consultation about the use of available resources. Suggests ways of streamlining some items of recurrent work load. Puts forward a revised method for determining the size of laboratories. Suggests clearer management responsibilities for Directors of laboratories.

Savings identified

£1¼ million 73 posts (about 12 per cent).

State of play

Reported on 22 December. Sir D Rayner to comment.

FOREIGN OFFICE

Scrutiny

Generation and Transmission of Information by the FCO.

Main findings and recommendations

Identified scope for reducing volume of paper and for more economical and effective use of messenger and other distribution services, and secretarial and paper-keeping staff. Made recommendations for ending unnecessary drafting and copying and for substantial savings in support staff.

Savings identified

£2.63m pa 80 + posts.

State of Play

Report received by Sir D Rayner December 1981. Commented to Mr Hurd recommending far greater selectivity in what is to be treated as urgent.

HM TREASURY

Scrutiny

Typing and secretarial services.

Main findings and recommendations

Identified scope for grouping secretarial services within Under Secretary commands and introducing electronic typewriters and other modern equipment on a trial basis.

Savings identified

£113,300 pa 18 posts (about 10 per cent).

State of play

Reported at the end of August.

Action Document received. All main recommendations accepted, but proposal that part of savings produced by scrutiny should be used to support programme of office redecoration rejected.

HM TREASURY

Scrutiny

The role of the Treasury in promoting efficient systems of financial control in Departments.

State of Play

Terms of reference were received on 10 July 1981. There is no study plan. The Chief Secretary indicated when he wrote to Sir Derek Rayner on 27 April 1981 that the subject was a large one which might "not fit precisely into the normal pattern of scrutinies". Mr Russell Barratt made a first report to the Chief Secretary on 15 October 1981, outlining a programme of work on which Sir DR commented on 25 October. Nothing heard since. No date set for conclusion.

HM CUSTOMS AND EXCISE

Scrutiny

VAT Registration and De-registration.

Main findings and recommendations

Unnecessary complicated procedures; excessive checking; insufficient delegation and excessive nannying of clients. Made recommendations for simplifying the maintenance of the VAT register and reducing its size by introducing a minimum turnover limit for new registrations and compulsory deregistration where turnover falls below a minimum limit.

Savings identified

£4.1 m pa 539 posts (About 30 per cent)

State of play

Report received 30 July. Ministers decided not to pursue recommendations for reducing the size of the register because of political difficulties (savings of 370 posts and about £3 m foregone). Action document outstanding.

HM CUSTOMS AND EXCISE

Scrutiny

Customs attendance.

Main findings and conclusions

Recommended withdrawing residential customs facilities where the level of trade/passengers falls below specified criteria and a substantial increase in charges to traders and ferry operators for services provided outside 'core' hours at designated ports/airports and for all services provided at other points of entry.

Savings identified

Unquantified in detail but extra costs to traders could be £6½ million pa.

State of play

Report presented 6 October. Sir D Rayner commented 6 November. Mr Bruce Gardyne has written to colleagues involved and there have been objections to the proposals on grounds of national interest and political implication, notably from Mr Biffen, Mr Howell and Mr Younger. Action document just overdue.

DEPARTMENT FOR NATIONAL SAVINGS

Scrutiny

Post Office errors.

Main findings and recommendations

Identified that the Post Office Service Agreement did not contain adequate incentives and requirements for greater efficiency in the Post Office handling of DNS business. Recommended transferring repayment work on Premium Bonds and National Savings Certificates from the Post Office to DNS and much greater emphasis on promoting cheque and other non-cash repayment methods to DNS savers.

Savings identified

Extra civil service staff of about 90. More than offset by reductions in payments to the Post Office. Net savings from all recommendations of £2.44 million pa.

State of play

Reported 5 August. Sir D Rayner commented on 8 September. Revised Post Office Service Agreement to start 1 April 1982. Action document received. All main recommendations accepted.

DEPARTMENT FOR NATIONAL SAVINGS

Scrutiny

Terms and conditions of DNS savings instruments.

Main findings and recommendations

Operating procedures being performed manually despite introduction of computer systems. Too much checking. Post Office services expensive and standards unimpressive. Recommendations for a wider range of competitive accounts; higher limit for cash withdrawals; more computerisation; improvements in procedures.

Savings identified

£4.2 m pa 612½ posts (about 5%)

State of play

Report received December. Being considered by Ministers and Sir Derek Rayner.

INLAND REVENUE

Scrutiny

Schedule D Procedures.

Main findings and recommendations

Scope for better concentration of resources in areas most likely to yield a return and cutting out duplication. Points up cost to Revenue of trying to collect small amounts of tax. Main recommendations were for selective issue of returns, changes in the way tax assessments and amendments are issued and appeals conducted. Further proposals for removing maintenance from the tax system.

Savings identified

£16.2 m 2295 posts (about 17%)

State of play

Action document just received. Decisions taken in principle which will save £12.35 m and 1775 posts. Recommendations on maintenance and selective issue of returns rejected.

INLAND REVENUE

Scrutiny

PAYE files.

Main findings and recommendations

The majority of taxpayers have straightforward tax affairs and do not complete annual returns. Often a record card is sufficient guide for dealing with post, which can be thrown away after it has been dealt with. The report recommends much more selective record-keeping.

Savings identified

Initial cost in first year of 220 extra staff to review files and 1 m for cabinets spread over two years. Substantial savings in second year building up to annual savings in fourth year of £5 m from nearly 1000 posts and £0.64 m in other costs.

State of play

Report just received. Now being considered by Ministers and by Sir D Rayner.

INLAND REVENUE

Scrutiny

Repayment Procedures

Main findings and recommendations

Present procedures involve too much checking, but do not always result in the most accurate or secure methods of making repayments. Recommendations include increasing the limit for arithmetical checking and reducing and re-siting other checks, particularly those against fraud.

Savings identified

£2.8 m 330 units (about 28%)

State of play

Report completed end of June. Well received by Ministers and senior management.

DEPARTMENT OF INDUSTRY

Scrutiny

The administration of DOI finance for R & D in industry.

Main findings and recommendations

Recommended integration of requirements boards staff and staff in sponsor divisions plus more attention to the value for money from the support given to industry.

Savings identified

Uncertain pending working up integration of staff but 35 posts (10%) recommended for rapid run down in the Technical Reports Centre.

State of play

Reported 31 July. Sir D Rayner commented on 4 September. Action document overdue since end October and expected in January.

HM TREASURY (ex - CSD)

Scrutiny

CSD's delegation of authority to other Government Departments.

Main findings and recommendations

Affirmed that delegation should result in a real reduction in day-to-day involvement by CSD in the work of the departments, which should have and take responsibility for their own affairs. Departments therefore needed the experience and expertise to take sound decisions and CSD to distill central experience into rules and guidelines for departments to follow. Since delegation is not abdication, CSD should check on the way delegated authority is used; as a general rule it should not approve individual cases. These principles were applied to the control of GAE; travel and transport; and computers.

Found little cause to recommend sweeping changes in levels of delegation, but recommended that - generally - the levels, structure and practical operation of delegation must be kept under review to keep pace with changes in prices, departmental expertise and other factors.

Savings identified

£0.012 m 1 post.

State of play

Sir Derek Rayner commented on the report on 4 December 1981, endorsing the team's principles and suggesting a review of the overall role of the CCTA within Government. Mr Hayhoe replied on 7 January 1982, saying that a start on following-up the scrutiny would begin in February and suggesting that the CCTA issue should be handled separately. Sir DR replied on 13 January, asking for an action document by end-March and suggesting that the CCTA might be dealt with in the context of the PM's request [to the Information Technology Unit, CO] for a report [on the CCTA's procedures as they affect industry].

CENTRAL OFFICE OF INFORMATION

Scrutiny

Information and publicity services in support of Government Economic, industrial and employment policies.

State of play

The scrutiny is just over half way through the allotted 90 days, but Sir Derek Rayner has indicated that he is willing to see the time extended if necessary. Two minor subjects are being addressed - official publications and the management of advertising campaigns - and one major one, overseas publicity and information. Sir DR saw the examining officer on 4 January; encouraged him to visit overseas posts if necessary, for which he (Sir D R) obtained Sir Michael Palliser's endorsement. The examining officer is submitting a synopsis of findings to the Minister of State (C), HM Treasury, about now. The main elements of the final report are likely to be:

Overseas publicity: An analysis of various options including no change, greater selectivity in the production and circulation of material combined with partial charging to exporters, simplification and discontinuation.

Official publications: The offering of guidance to Departments in respect of their own publications on, for example, reducing circulation lists and frequency of issue. (Immediate savings on the sample of 12 publications scrutinised likely to be c. £100,000 pa).

Management of advertising campaigns: Probably a clean bill of health.

DEPARTMENT OF EMPLOYMENT

Scrutiny

The work permit system.

Main findings and recommendations

Identified important uncertainties about the objectives of the system and substantial gaps between them and practice. Recommended clearer working rules with more effort to keep rules updated to suit changing circumstances. The report also proposes action to explain requirements more clearly to employers and possible applicants. Charging employers to cover the cost of handling applications is advocated.

Savings identified

£910,000 pa 112 posts (over 60%) - spread over 4 departments but mainly in DE and MSC. Estimated extra revenue from charges of £693,500 pa.

State of play

Reported on 16 October. The Minister has agreed that a number of recommendations can be moved forward quickly and that consultation with other Ministers on policy objectives will be set in hand. Action document due mid-January.

MANPOWER SERVICES COMMISSION

Scrutiny

Special Programmes Division Operating Procedures.

Main findings and recommendations

Rapid growth in Special Programmes over last 3 years had put SPD procedures under strain. A wide variety of approaches and systems in SPD Area Offices, some more efficient than others. Main recommendations for shifting financial control away from a paper-based system; simplifying procedures and treating major sponsors more flexibly; improving the monitoring of schemes.

Saving identified

Year 1: £2.4 m 377 posts (about 11%)
Year 2: £3.5 m
Once for all cost of £1.9 m

State of play

Report received October. Action document due.

MANPOWER SERVICES COMMISSION

Scrutiny

Field organisation for the Training and Special Programmes Division.

State of play

Synopsis of findings received December 1981. Report expected end January.

MANPOWER SERVICES COMMISSION

Scrutiny

General Employment Service.

State of play

The Scrutiny began on 1 December 1981 and is due for completion in April 1982. The team is led by an MSC AS and includes an MSC P and two staff, on secondment by Barclays Bank and Boots. The subject excludes Professional and Executive Recruitment (PER) and services for the disabled, which are being reviewed separately; it is one of acute interest to DE Ministers and the central departments. Sir Derek Rayner approved the study plan on 23 December; saw the examining team on 11 January; intends to see the Secretary of State; and to visit a Jobcentre with members of the team.

HEALTH AND SAFETY EXECUTIVE

Scrutiny

Approval, Certification and Testing functions with HSE.

Main findings and conclusions

Identified an urgent need to develop a coherent strategy for these activities and to establish criteria for which testing should be carried out in-house.

Savings identified

Roughly estimated at staff savings of £200,000 pa and extra revenue from higher charges of £100,000 pa. In total this is about 16% of costs.

State of play

Reported 21 September. Sir Derek Rayner commented on 27 October. Action document received. The Chairman has said that although substantial consultation is required he is keen to move ahead.

MINISTRY OF DEFENCE

Scrutiny

Financial accountability

Main findings and recommendations

The main findings are as follows:

- MOD's financial system is not well designed to reconcile the objectives of control against cash limits and civilian manpower targets and (more widely) of economy and efficiency.
- This is partly a defect of the financial framework and partly a product of the attitude of mind (now less widespread than it was, fortunately) that once policy has been defined the money to implement it will always be found.
- The remedy lies in a form of financial control which requires line managers to manage within a cash allotment for the year set by higher management; measures their performance against a formal target; and gives them as much flexibility as possible to vary the composition of their spending to achieve the most efficient results.

Savings identified

None: this is a review of how responsibility is distributed and discharged.

State of play

Sir Frank Cooper wrote to Sir Derek Rayner on 2 February and Sir Derek Rayner will reply as soon as possible. There will need to be extensive consultation within the Ministry of Defence.

MINISTRY OF DEFENCE

Scrutiny

Defence sales organisation.

State of play

Report expected to be made to the Prime Minister in February or March, probably in association with a presentation by Mr Blyth, Head of Defence Sales.

MINISTRY OF DEFENCE

Scrutiny

Dissemination of Information.

Main findings and recommendations

Information production and distribution is complex and fragmented. No cost data exists. Responsibility is diffuse. Recommendations are made for introducing new technology (including microfiche), contracting out distribution task and improving document security.

Savings identified

£1.5-~~4m~~ pa, 16 posts for OFA cost of £2.9-£4.9m. Scope for saving additional 150 posts from contracting out distribution task.

State of play

Report received 10 February. Now being considered by Ministers and Sir D Rayner.

MINISTRY OF DEFENCE

Scrutiny

The control of expenditure (MOD(PE)).

Main findings and recommendations

The team's findings covered issues of principle (avoiding over-spending consistent with maximising the defence capability and VFM and with minimising underspending; annuality) and of procedures (failure to fix control responsibility on individuals, defects in information systems, inflexible response to changing circumstances etc). Their recommendations included making the Systems Controllers responsible for observing the cash limit and controlling expenditure for that purpose; monitoring and control against cash rather than survey prices; limitation of block adjustments to no more than 2.5% in the Estimates year; and tighter scheduling of contracts.

Savings identified

None: this was chiefly a systems review.

State of play

MOD issued an "Open Government Document" in November 1981 after consultation with the PM. This accepted the general thrust of the conclusions and recommendations:

- (1) Managers told of their responsibility to monitor and control cash against their allocations "without assuming relief from elsewhere". But it is not proposed at this stage "to place on Systems Controllers a more formal responsibility for observing the cash limit on the Defence Procurement Vote".
- (2) - An upper limit of 2.5% on the central element of block adjustments has been set as an aim for 1982-83.
- (3) The report's more detailed recommendations (4 - 8) related to the achievement of the broad objectives above and are being evaluated. Some decisions already taken, with a view to further decisions in January 1982.
- (4) A study is being made of computer support for systems controllerates (6) and of the profiling of expenditure (5).
- (5) Recommendations 7 (monitoring and analysis of outstanding contractual liability) and 8 (new unit to be set up in the DE to give a common financial information service to all controllerates) accepted: unit being established.
- (6) Contractual conditions (9) are under study.

MINISTRY OF DEFENCE

Scrutiny

Defence Fixed Telecommunications.

State of play

Synopsis of findings received early November. Draft report received December. Final report expected end January.

MINISTRY OF DEFENCE

Scrutiny

Movement of Service Personnel.

Main findings and recommendations

British Rail agreement serves MOD well, but should be renegotiated robustly. A study on alternatives to rail travel put in hand. Recommended that leave travel be reassessed when findings available. Line managers should select most economical means on basis of harmonised costing methods, and consider hiring rather than buying vehicles. Vehicles to be run more flexibly and more tri-service co-operation.

Savings identified

No immediate savings. Potential for substantial savings in the long term.

State of play

Report received in November. Action document received. All main recommendations accepted.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

Scrutiny

Fisheries Research Department.

State of play

Synopsis of findings expected in first half of January. Report due by end of January but running late.

DEPARTMENT OF THE ENVIRONMENT

Scrutiny

Non-staff running costs in DoE(Central)

Main findings and recommendations

Control of running costs found to be seriously deficient in a number of ways. Systems inadequate and a lack of cost consciousness. Recommended a system of budgets prepared by managers of cost centres; a computerised management information system and a strong central finance division.

Identified savings

Report concerned with reforming the system of financial estimating and control in the long term, rather than with immediate savings

State of play

Report completed in June. Ministers have decided to accept its recommendations.

DEPARTMENT OF THE ENVIRONMENT

Scrutiny

PSA custody service.

Main findings and recommendations

Identifies a general lack of knowledge of costs and lack of sensitivity to the economy and efficiency of what is demanded. Recommends that Departments should be responsible for meeting the cost of their security cover. Suggests that Departments should investigate less manpower intensive security systems.

Savings identified

Unquantified.

State of play

Report presented in April. Recommendation for repayment accepted. Others still under consideration. Action document overdue since late July.

SCOTTISH OFFICE(SCOTTISH EDUCATION DEPARTMENT)

Scrutiny

Her Majesty's Inspectorate of Schools in Scotland.

Main findings and recommendations

Abolition is rejected but a smaller Inspectorate could carry out the essential tasks of monitoring, advice to Ministers and contributing to developing and improving educational performance. The inspection programme should be reduced in time with what is recommended as the "Upper tier" function of the Inspectorate, which should be mainly complementary to LEAs' own arrangements; conventional inspection is costly and generally produces far more information than can be used adequately. A more selective approach, with the emphasis on "high geared" work (ie identifying broader problems and influencing those who can in turn influence large numbers). Some rationalisation of organisation and procedure is recommended, together with a reduction in the size of the Inspectorate from 118 to 100 by April 1984.

Savings identified

18 posts by April 1984; £135,000 pa until 1984-85, when £0.33m would be saved compared with the cost of 112 HMI now in post. Potential for further reductions thereafter.

State of play

Report passed to Sir Derek Rayner on 30 July 1981. Sir Derek Rayner commented on 28 August. The Minister for Industry and Education (Mr Alex Fletcher) replied on 14 September saying that the main issue raised by Sir Derek Rayner

on the report on the English and Welsh Inspectorate needed to be considered by the Education Ministers jointly for Great Britain as a whole. We know that Sir K Joseph consulted his colleagues on the reply which he sent to Sir D Rayner on 25 January.

NB: The FDA has complained to Mr Cassels about the delay in releasing the Scottish report to the HMI association.

SCOTTISH OFFICE

Scrutiny

Fisheries Research.

State of play

Synopsis commented upon in mid-November. The examining officer is currently drafting his final report, which should be available in January.

FORESTRY COMMISSION

Scrutiny

Light vehicles in the Forestry Commission

State of play

A summary of findings was circulated on 5 November. There is clear evidence of over-provision but further work is necessary to substantiate the facts. The final draft is expected in the second half of January.

WELSH OFFICE

Scrutiny

Procedures for processing compulsory purchase orders etc.

Main findings and recommendations

Too much emphasis on resolving queries on orders which are unopposed. Too much departmental involvement in some opposed orders. Overlap of responsibility between Welsh Office and Department of the Environment on planning appeals causes delay. Recommended less involvement by department and Secretary of State in confirming orders and settling appeals and that Welsh Office take on all procedural responsibility for appeals in Wales.

Identified savings

£57,400 pa net.

State of play

Report completed in October. Action document due end of January.

NORTHERN IRELAND OFFICE

Scrutiny

The Northern Ireland Employment Service.

Main findings and recommendations

The Service competes more directly with outside agencies than is justifiable. Many marketing development visits are not cost-effective. Compulsory registration ineffective. Too much checking of claims. Overlap in responsibility between management tiers. Recommended that registration should be made voluntary; interviews and visits to be made more selective and more self-selection for jobs; careers guidance in schools modified; more delegation and fewer area manager posts.

Savings identified

£1.41m pa 107 posts (about 18%)

State of play

Report received in June. Action document received in November. Ministers have accepted most of the main recommendations but rejected those for more self service and for discontinuing review interviews. (Savings of 15 posts foregone in consequence). Report to the Prime Minister on the scrutiny has been made.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Scrutiny

"Final Relevant Year" provision.

Main findings and recommendations

Final Relevant Year procedures work easily and efficiently for both the department and employers, save for one limited respect in the Newcastle Central Office. Recommendations for simplifying instructions to staff, improving forms and further study aimed at streamlining provisional awards.

Savings identified

None qualified.

State of play

Report received 4 January. Sir Derek Rayner has commented. Report now being considered by Ministers.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Scrutiny

Family Practitioner Committees.

State of play

Terms of reference and study plan agreed. Temporarily delayed by change of scrutiny official.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Scrutiny

Handling of correspondence in Department of Health and Social Security and Office of Population Censuses and Surveys.

Main findings and recommendations

Duplication of handling of correspondence between management tiers and across the department. Letters frequently addressed to an inappropriate tier within the department. Recommendations for more involvement by local offices in drafting replies and more delegation within Head Quarters. In addition, proposals for changing the way certain categories of correspondence are dealt with and for discontinuing some forms.

Savings identified

About £7m and 864 posts.

State of play

Report received 11 September. Recommendations on forms to be carried forward in follow-up to forms review. Procedural recommendations may need some further work. Action document outstanding.

DEPARTMENT OF TRADE

Scrutiny

Handling of Routine Prosecution Work.

Main findings and recommendations

Too much time is spent by lawyers, all of whom are based in London, travelling to conduct relatively simple cases throughout the country. Executive staff spend too much time doing clerical work and not enough providing help to the lawyers. Recommended either -

(a) local firms of solicitors should handle more cases outside the London area.

or (b) provincial offices of government solicitors (covering several departments) should be set up.

Savings identified

(a) £0.2m pa and 12 posts . (20%).

(b) £0.17m pa and 5 posts (about 19%)plus potential savings to other departments.

State of play

Reported on 7 September.

DEPARTMENT OF ENERGY

Scrutiny

International Work.

Main findings and recommendations

Identifies limited scope for reducing the contribution to international work (notably R & D work and energy conservation). Upward drift in representation at meetings should be reversed and there should be greater selectivity in visits (including associated briefing). Recommends continuation of Travel and Subsistence budgets.

Savings identified

Modest savings estimated at £14,000 pa ($4\frac{1}{2}\%$) additional to a reduction of quarter of a million pounds in the budget secured during the last year.

State of play

Report delivered 22 December. Sir D Rayner commented that an important need will be to follow up the implications in the Wardale review.

DEPARTMENT OF EDUCATION AND SCIENCE (AND WELSH OFFICE)

Scrutiny

Her Majesty's Inspectorate in England and Wales.

Main findings and recommendations

Generally, the "study" - no-one regards it as having been a scrutiny - endorsed the status quo, but recommended greater definition of roles and procedures. The main additions to existing thought are that there should be a "planned rolling programme of LEA-based reports covering schools and FHE" and that more time should be devoted to following up Her Majesty's Inspectorate initiatives, "in particular to fuel and prime local education authorities and their advisory services as well as the colleges and other training agencies". A number of minor recommendations are made on the relationship between Her Majesty's Inspectorates and the rest of Department of Education and Science, organisation and management and staffing and resources, including support services.

Savings identified

None. Report thinks that a complement of 420 would be feasible, but not desirable, as compared with a complement of 430 (England): there were only 407 in post at the time of the study.

State of play

Report passed to Sir Derek Rayner on 9 July 1981. Sir Derek Rayner commented to Lady Young (Department of Education and Science) on 27 August and Mr Roberts (Welsh Office) on 28 August. He asked Sir Keith Joseph on 3 December when he might expect a reply; Sir Keith Joseph answered on 16 December that he hoped to write shortly and wrote to Sir Derek Rayner on 25 January after consulting the other Education Ministers. Sir Derek Rayner has arranged to see him on 24 February.

DEPARTMENT OF EDUCATION AND SCIENCE (OFFICE OF ARTS AND LIBRARIES)

Scrutiny

The activities of the Victoria and Science Museums.

State of play

The scrutiny started on 12 October. Fieldwork is still in progress. Synopsis of findings is due in January.

DEPARTMENT OF TRANSPORT

Scrutiny

Winter road maintenance.

Main findings and recommendations

Identified lack of clarity about what is expected of the local authorities acting on behalf of the Secretary of State and a widespread unawareness of cost. Spending and standards of practice were shown to vary markedly between authorities. Recommended laying down clear standards and expected practice from headquarters. Attention to the achievement of the associated financial priorities.

Savings identified

Extra one-off costs of £370,000. Estimates recurrent savings of £1½-2 million a year if authorities are persuaded to adopt more economical manning levels. (This is about 10% of average central government spending.)

State of play

Report presented 16 July. Sir D Rayner commented on 28 August. Mr Clarke has accepted the recommendations to introduce a Statement of Service and a code of practice. Decisions on other recommendations have been held over pending a report by outside consultants on the future of recurrent maintenance of trunk roads throughout the year by agent authorities. Their report is due in February.

1981 SCRUTINIES: COMPLETED AS AT FEBRUARY

Department	Scrutiny	Savings	
		£p.a.	Posts
Home Office	Forensic Science Service	£1.25m.	73
Foreign Office	Generation and Transmission of Information	£2.63m.	80+
Treasury	Typing and Secretarial Services	£0.11m.	18
HM Customs	VAT registration and de-registration	£4.1m. (1.1m.)	539 (169)
HM Customs	Customs Attendance	-	-
Department for National Savings	Post Office Errors	£2.44m.	+90
Department for National Savings	Terms and conditions of savings instruments	£4.2m.	612½
Inland Revenue	Schedule D	£16.2m. (£12.35m.)	2295 (1775)
Inland Revenue	PAYE Files	£5m. (building up over 4 years)	984
Inland Revenue	Repayment procedures	£2.8m.	330
Department of Industry	R and D Finance	Not quantified	35
Treasury (ex-CSD)	Delegation of Authority	£0.012m.	1
Department of Employment	Work Permits	£0.91m.	112
Manpower Services Commission	Special Programmes Operating Procedures	£2.4 - £3.5m. OFA cost £1.9m.	337
Health and Safety Executive	Approval certification and testing	+£0.3m.	Not quantified

Department	Scrutiny	Savings	
		£p.a.	Posts
Ministry of Defence	Financial Accountability	-	-
Ministry of Defence	Control of Expenditure MOD(PE)	-	-
Ministry of Defence	Dissemination of Information	£1.5m-4m pa (OFA cost of £2.9m-£4.9m)	16 (offset by 5 temporary posts)
Ministry of Defence	Movement of Service Personnel	-	-
Department of the Environment	Control of non-staff running costs	-	-
Department of the Environment	PSA Custody Service	Not quantified	Not quantified
Scottish Office	HM Inspectorate of Schools	£0.135 - 0.33m	18 (by April 1984)
Welsh Office	Compulsory purchase orders	£57,400	Not quantified
Northern Ireland Office	Employment Service	£1.4m	107 (92)
Department of Health and Social Security	Final Relevant Year	-	-
Department of Health and Social Security	Handling of correspondence	£7m	864
Department of Trade	Routine Prosecutions	£0.17m-0.2m	5-12

Department	Scrutiny	Savings	
		£p.a.	Posts
Department of Energy	International Work	£14,000	-
Department of Education and Science	HM Inspectorate of Schools	-	-
Department of Transport	Winter Road Maintenance	1½-2m	-

CONFIDENTIAL

Mr RICKETT

Mr Whitmore



THE EFFICIENCY STRATEGY 1982: MINISTRY OF DEFENCE

1. I refer to your minute of 22 February on the scrutiny programme, for which thank you. As requested, I offer here-with a draft letter to MOD in response to Mr Nott's minute to the Prime Minister of 15 January.

2. The background is still much as in my personal/confidential minute of 4 February, to which you may like to refer. The new factors are these:

- (1) Mr Nott has now made a truculent statement in front of some of his colleagues (at the presentation on 24 February) which does not help to smooth the path for a letter from Mr Whitmore. The statement was also wrong-headed. The assertion that the only way to manage the MOD is to "stop it or to shut it" is all of a piece with what used to be thought of in my days as a National Service squaddie as the norm for good order and military discipline, namely "If it moves, salute it; if it doesn't, whitewash it". Defence is one of the biggest business conglomerates in the country and much of Sir F Cooper's personal effort is devoted to getting its management onto a sounder basis. And what Mr Nott described as trivial savings, other departments see as very sizeable sums indeed. I don't think that we should reward truculence by backing off, but it does affect the questions of exactly what is asked for (see paras. 5 and 7 of the draft) and to whom the letter is copied (para. 8) - you may think it wise to restrict the circulation to the Cabinet Office in order somewhat to reduce the provocation factor.



(2) Sir Derek Rayner will have a test drive of the Defence Sales Organisation presentation by Mr Blyth on 4 March, with a view to it being offered to the PM shortly afterwards - provided Mr Nott does not squelch the idea, which is always possible.

3. If there is any prospect of Mr Whitmore's letter being much delayed, please let us consider how to notify MOD that the PM would like Sir Derek Rayner to take a particular interest on her behalf in the two scrutinies Mr Nott has offered.

cp

C PRIESTLEY
26 February 1982

CONQUEROR

Enc: Draft letter

MANAGEMENT - IN CONFIDENCE

D Omand Esq
Private Secretary to the
Secretary of State for Defence

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

1. Owing to the late submission of some Ministers' proposals in response to my Dear Private Secretary letter of 15 December, it is only recently that the Prime Minister has been able to consider all the proposals together. Mrs Thatcher was grateful for your Secretary of State's minute of 15 January, which she read with sympathy as she appreciates the size and complexity of the task of management in your Ministry and the painful nature of decisions either taken or to be taken in some areas.

2. The Prime Minister is well content with Mr Nott's proposal that there should be scrutinies this year of your Ministry's arrangements for dealing with Service and civilian pensions and for the issue of Service pay. She thinks that these are both good subjects, well worth doing, which may turn out to have important implications for other aspects of Services management. She would like to be informed later whether this proves to be the case. She will be asking/has asked Sir Derek Rayner to take a particular interest in them both on her behalf.

3. The Prime Minister is also pleased with the proposals that RAF Support Command and individual training associated with it and the Meteorological Office should be included in the programme of Resource Control Reviews. She thinks both subjects excellent.

4. The Prime Minister has made two other points. First, she noted your Secretary of State's reference to his new Directorate-General of Management Audit, whose establishment last year she very much welcomed. She think that, because your Ministry is now well on the way to being better equipped for the intensive examination of costly areas of work, the Civil Service as a whole would have much to learn from the work of the new Directorate and she hopes that opportunities for this can be provided from time to time.

5. Secondly, the Prime Minister thinks that there would be ^{great} ~~solid~~ advantage in including one or two other Service commands or functions of a nature and size commensurate with those of RAF Support Command in either the Resource Control Review or the scrutiny programme.

6. Mrs Thatcher believes that the advantage would be both to your Ministry, especially perhaps to its military leadership, in providing intrinsic gains in efficiency and effectiveness, and to the Government as a whole. This is because Defence expenditure accounts for such a large proportion of total government spending and because, being in the

public eye on that account, it is especially desirable for senior military and civilian managers to show that they are taking - in your Secretary of State's words - a "No holds barred" approach to related or comparable blocks of expenditure.

Re 7 - m - therefore hopes very much that you d - of - s - can agree to extending the resource control review in this way

7. *2* It may be that the right time to bring other Service commands or functions into the programme would be a little later this year, when it will be possible to draw on the experience ^{got gained} ~~by~~ then from the reviews of RAF Support and the Meteorological Office. I should be grateful if you would kindly let me know what is decided by the end of April.

8. I am copying this letter to John Kerr (HM Treasury), Jim Buckley (Chancellor of the Duchy of Lancaster's office), David Wright and Clive Priestley (Cabinet Office).

C A WHITMORE

DRAFT

LETTER TO MR. OMAND, MINISTRY OF DEFENCE

The Efficiency Strategy 1982

The Prime Minister was grateful for your Secretary of State's minute of 15 January, which she read with considerable sympathy.

The Prime Minister is happy with Mr. Nott's proposal that there should be scrutinies this year of your Ministry's arrangements for dealing with Service and civilian pensions and for the issue of Service pay. She thinks that these are both good subjects, well worth doing, which may turn out to have important implications for other aspects of Services management; she would like to be informed later whether this proves to be the case. She will be asking Sir Derek Rayner to take a particular interest in them both on her behalf.

The Prime Minister is also pleased with the proposals that RAF Support Command and individual training associated with it and the Meteorological Office should be included in the programme of Resource Control Reviews. She thinks both subjects excellent and looks forward to meeting the examining officers at the presentation on 24 February.

However, the Prime Minister thinks that - not least because your Ministry is now well on the way to being better equipped for the intensive examination of costly areas of work - there is much to be said for including one or two more expensive Service commands or functions in the Resource Control Review.

/ Mrs Thatcher

Mrs Thatcher thinks that this would accord with your Secretary of State's warm response to the Chancellor of the Duchy of Lancaster's minute to her of last November. She also thinks that there would be a very real advantage to the Government as a whole and to your Ministry, in extending the Resource Control Review to Army and Navy functions of a nature and size commensurate with those of RAF Support Command. This is because Defence expenditure accounts for such a large proportion of Government spending as a whole and because, being in the public eye on that account, it is especially desirable for Ministers to show that they are taking - in your Secretary of State's words - a "no holds barred" approach to related or comparable blocks of expenditure. The Prime Minister therefore hopes very much that your Secretary of State can agree to extending the Resource Control Review in this way.

I am copying this letter to John Kerr (H M Treasury), Jim Buckley (MPO) and David Wright and Clive Priestley (Cabinet Office).



CABINET OFFICE

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

25 February 1982

J O Kerr Esq
HM Treasury

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

The Prime Minister has now been able to consider the proposals made by Ministers and is grateful for those made by the Chancellor of the Exchequer in his minute of 29 January. Mrs Thatcher has approved the proposals made by Sir Geoffrey Howe, on which I am to make the following points on her behalf.

The Prime Minister has asked Derek Rayner to take a particular interest on her behalf in two of the scrutinies proposed for the Inland Revenue. These are scrutinies of end-year review of PAYE tax records and of the memoranda and instructions issued by headquarters to local Tax and Collection Offices notifying new procedures and revising existing ones. In respect of the latter proposal, the Prime Minister is very interested in anything that can be done to reduce the complexity of regulations, which can be a great trial to public and staff alike. Mrs Thatcher thinks too that this particular scrutiny might serve the wider objective of increasing delegation of authority to local offices, examining the relationships between headquarters and such offices in attempting to simplify administration and increasing the discretion of local management.

The Prime Minister agrees to the proposed scrutiny of errors in the processing of Customs Import Entries. She very much welcomes the Chancellor's thought that there should be a scrutiny of the VAT HQ at Southend and hopes that it can be included in this year's programme.

The Prime Minister thinks that the proposed scrutiny by the Department for National Savings is potentially very promising. She has asked Derek Rayner to take a particular interest in this on her behalf. Mrs Thatcher has noted the Department's observation that the scrutiny would - ideally - be done jointly with the Post Office, in which case the reporting arrangements should include the Chairman of the Corporation as well as a Treasury Minister. She very much agrees. She has also noted the observations by other Ministers on the possibility of a wider scrutiny

of PO Agency Services. She thinks that a modest beginning is probably the right way forward and welcomes the DNS proposal for this reason. If it is found in discussion of the DNS proposal with the Post Office that its scope can be widened to other services, the Ministers concerned might be encouraged to join in. (In this connection you may like to know that John Cassels and I will be telling Ron Dearing something about the scrutiny programme so far on 10 March.)

The Prime Minister has approved the proposed scrutiny of the Civil Service Catering Organisation and has noted the involvement in it of Miss Sybil Barnes of Marks and Spencer.

Mrs Thatcher is content that there should not be a new scrutiny in the central policy areas of the main Treasury this year. But she looks forward with great interest to the outcome of the scrutiny by Russell Barratt of how staff in the Expenditure Divisions can best be equipped to play their proper part with regard to financial management in departments.

I am copying this to Douglas Wass, Lawrence Airey, Douglas Lovelock and Stuart Gilbert.

Yours sincerely,

Chris Priestley

C PRIESTLEY



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Francis Pym MC MP
Lord President of the Council
Privy Council Office
Whitehall
London SW1A 2AT

24 February 1982

Dear Lord President,

I am sorry not to have replied sooner to your letter of 19^{Pt 10} January about the proposal I made in my letter of 23 December that supplies to Parliament from HMSO and CCTA should move on to repayment. I have also seen Janet Young's letter of 5 February.

In response to your view that the channel of approach should be through the House of Commons Commission I agree with your suggestion that you should raise the matter with them at an early meeting.

In the meantime, until we know their response, Sir Anthony Rawlinson will not be writing to either the Clerk of the House of Commons or the Clerk of the Parliament. I hope however that we can make rapid progress on this. My officials of course stand ready to discuss details at any time.

I am sending copies of this letter to Janet Young so that she can see how we are proceeding on this. I am also sending copies to the Prime Minister, Sir Robert Armstrong and Sir Derek Rayner.

Yours sincerely

T. Matthews

for LEON BRITTAN

[Approved by the Chief Secretary
and signed in his absence]

25 FEB 1982

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JP
Govt Meech

10 DOWNING STREET

From the Private Secretary

MR. PRIESTLEY

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

The Prime Minister has seen your minute of 19 February, covering Sir Derek Rayner's submission of the same date.

The Prime Minister is content with the recommendations at paragraph 30 of Sir Derek's submission, subject to three comments.

First, she notes that Sir Keith Joseph will try to find a suitable area for scrutiny which might be added to his Department's proposed programme, subject to progress with other efficiency work (paragraph 20). On this, the Prime Minister has commented that she would like Sir Keith to consider a scrutiny on some aspect of the University Grants Committee's organisation or activities. Alternatively, she wonders whether the ILEA could be persuaded to let Sir Derek carry out a scrutiny of the Central London Polytechnic.

Second, the Prime Minister was pleased to hear that the Secretary of State for Social Services is planning to arrange scrutinies into various aspects of the National Health Service. She feels that it is most important to extend the scrutiny programme in this way, and would very much like Sir Derek Rayner to encourage Mr. Fowler in his plans on her behalf.

Third, the Prime Minister agrees that the Secretary of State for Defence should be encouraged to include Army and Royal Navy training in his Department's Resource Control Review, and I should therefore be grateful if you could provide a suitable draft letter for Clive Whitmore to send to Mr. Nott's Office. We shall decide here when this letter should issue.

Finally, may I say that the Prime Minister is very pleased with the way this year's efficiency strategy is developing, and that she is grateful to all those involved for their hard work.

I am copying this minute to Jim Buckley (Chancellor of the Duchy of Lancaster's Office), David Wright (Cabinet Office), Jeremy Colman (HM Treasury), Gerry Spence (CPRS) and Eleanor Goodison (Management and Personnel Office).

C. P. Mickett

22 February 1982

JP

*Yes - but see
various comments
re* Prime Minister 1
I think you will want to
concentrate on this minute and
Sir Derek's Recommendations.
Content with these recommendations?

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

*WM
19/2*

Ministers' proposals for this year's scrutiny programme are discussed in the attached minute by Sir Derek Rayner. They are brought together in an annexed summary department by department (see flag marked ANNEX). His recommendations appear throughout the text and are concentrated for your approval at the end (see flag marked RECNS). The minute is an easy read, but this covering note summarises the main points. These are:

- (1) This year's efficiency strategy will consist of 47 exercises - 26 scrutinies, 6 Resource Control reviews, 6 Running Costs reviews and 9 Personnel Work reviews. This is a good score (paras. 2 and 3).
- (2) 22 of the scrutiny proposals are recommended for approval (paras. 4 - 6), but in some cases we should be able to improve or clarify their scope (para. 8). The Post Office and nationalised industries are of interest here (paras. 6, 8 - 10).
- (3) 2 more proposals - on paper (MAFF) and complex regulations (Inland Revenue) - are also recommended for approval (paras. 11 - 14).
- (4) A tiny proposal in the Department of the Registers of Scotland is not recommended. A modest one in the Welsh Office is, provided another Welsh subject is sought too, perhaps planning in collaboration with DOE (paras. 15 - 17).
- (5) You may wish to pay particular attention - given next Wednesday's presentation - to Sir Derek Rayner's proposal that a second subject be sought from Mr Heseltine (paras. 18 and 19).



(6) Ministers' requests for exemption are set out in para. 20. In summary, Sir Derek Rayner recommends exemptions for main Treasury; Administrative Privy Council Office and Judicial Committee of the PC (but not for ever); Property Services Agency; main Scottish Office; main Department of Employment. Sir Derek asks you to agree that he should press the following: Department of Education and Science (perhaps something on Research Councils other than SSRC), Management and Personnel Office (which we know would not disconcert Lady Young) and the Department of Energy.

Is it possible to look at the U.G.C. n to ask 16/12 if D-R would look at the Central London Poly? not

This is most important.


(7) Sir Derek Rayner makes a number of observations:

- ✓ The scrutiny technique is being extended into the NHS (all being well, para. 24).
- ✓ The Ministry of Defence should at the right time widen the contribution it is making to the Resource Control review (paras. 25 and 26).
- ✓ The Chancellor of the Exchequer should be encouraged to include the VAT HQ at Southend in this year's scrutiny programme (para. 27).
- ✓ Miss Sybil Barnes, the Head of Staff Catering at Marks and Spencer, will assist the Treasury with the scrutiny of the CS Catering Organisation (para. 28).

You will remember the background to this. Agree that Clive should write to my NPH's office in the next week or two? (see para 26). - WML 19/12 I will have a word with Clive.

(8) Sir Derek Rayner invites you to authorise him to take a particular interest on your behalf in 10 scrutinies:

- FCO, Passport Office
- IR, PAYE end-year procedures and District Memoranda and Instructions
- DNS, Improving quality of Post Office services



MAFF, Generation and use of written documents
MOD, Service/civilian pensions administration;
Service pay and records
DTp, Administration/enforcement of Goods Vehicle
Operator Licensing system
DHSS, Payment of benefit to hospital patients
MSC, General Employment Service.

2. Perhaps I may add two points:

- (1) Sir Derek Rayner has submitted his report in photocopy form as he thinks it clearer to the eye than the original typescript.
- (2) I do not believe that any of the proposals has serious political pitfalls in its path, but you may wish to note that the programme includes aspects of the administration of the Criminal Injuries Compensation Scheme, (1) in the annex, civil legal aid (2), visits by Inland Revenue staff (8), supervision of insurance companies (20), payment of benefits to hospital patients (22) and data on industrial diseases and accidents (26).

SP

C PRIESTLEY
19 February 1982

Enc: Sir Derek Rayner's submission

PRIME MINISTER

THE EFFICIENCY STRATEGY 1982: THE SCRUTINY PROGRAMME

Mr Whitmore's letter to Private Secretaries of 15 December invited Ministerial proposals for the scrutiny programme by 15 January. I am sorry that delays in replying to that letter have in turn delayed this report to you.

2. It may be helpful if I set this report in the context of this year's efficiency strategy as a whole and of last year's scrutinies and Service-wide reviews. Summary information about Ministers' intentions for this year are set out in the Annex. A simple comparison of those intentions with last year is as follows:

	<u>No.</u>	<u>Cost of activities pa (£1m)</u>	<u>Number of posts covered (thousands)</u>	<u>No.</u>	<u>Cost of activities pa (£1m)</u>	<u>Number of posts covered (thousands)</u>
Scrutinies	41	at least 600*	at least 57*	26	at least 350	at least 20
Forms review	9	Not applicable	Not applicable	-	-	-
R&D supporting services reviews	7	114	8	-	-	-
Resource control reviews	-	-	-	6	at least 550	at least 35
Running cost reviews	-	-	-	6	800	-
Personnel work reviews	-	-	-	9	Not known	c. 10
Totals	57	714 upwards	65 upwards	47	1700 upwards	65 upwards

* Excludes "systems scrutinies" not concerned with savings.

3. So we had a total of 56 exercises in 1981 and shall have 47 in 1982, at least to begin with. This means that, as intended, the efficiency strategy is roughly in balance with the 1981 exercises in terms of numbers - and in terms of scope it is a good deal wider than last year's effort. I have consulted the Chancellor of the Duchy of Lancaster about the proposals and she has asked me to say that in her view the combination of the scrutiny programme and the three centrally co-ordinated reviews are a strong and balanced programme of work for this year. I agree with that judgment.

ACCEPTABILITY OF THE PROPOSALS MADE AGAINST THE CRITERIA SET

4. Mr Whitmore's letter aimed at a total of 20 - 25 scrutinies for 1982. Given the lower number as compared with 1981, it affirmed that scrutiny topics should be "significant in terms of the activities and resources or policies of the department" and said that you would have this in mind when considering the suitability of proposals for inclusion in the programme. He also suggested that certain areas were strong candidates for inclusion (ie administration of benefits, regulation and enforcement, professional advisers, the policy-making process and working relationships between departments and nationalised industries). The proposals made match those criteria reasonably well:

(A) Significant in terms of the activities and resources or policies of the department

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>Not of staff</u>
(2)	LCD + DHSS	Assessment of financial entitlement to legal aid (civil)	£6m	600 (DHSS)
(3)	FCO	Use of Diplomatic Service	Not stated	Not stated
(4)	FCO	Passport Office	Not stated	1,000

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(6)	HM Treasury	Civil Service Catering Organisation	£30m subsidy	1,500
(7)	Inland Revenue	PAYE end-year procedures	Not stated	4,000 staff units
(8)	Inland Revenue	Visits to the public	Staff costs not stated. c£1m for car hire	1,800 man years
(10)	Customs & Excise	Processing of Customs Imports entries	£13.5m	1,250
(14)	NIO	Land Management	Staff costs not stated	c.400
(16)	MOD	Services and civilian pensions administration	£7.8m	c.700
(17)	MOD	Services pay and records	£55.0m	c.3,700
(19)	WO	Administrative and grant procedures of land drainage	Staff costs not stated	5 plus part-time involvement of others

(B) Aspects of the administration of social security benefits pensions not yet looked at

5. I here include aspects of pension and similar work.

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(1)	Home Office	Criminal Injuries Compensation Scheme: administration	£2.9m	Not stated
(22)	DHSS	Payment of social security benefits to people in hospital	Appreciable, but not stated	

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(24)	PGO	Need for effectiveness of periodic declarations of entitlement to (public service) pension	£0.7m	A small part of the work of 600 staff

(C) Regulatory and enforcement activities not yet fully examined

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(18)	Department of the Registers of Scotland	Billing and collection of (deed) registration fees	£0.04m	7
(20)	Department of Trade	Practice relating to the supervision of insurance companies	£0.6m	62
(21)	Department of Transport	Administration and enforcement of the Goods Vehicle Operator licensing system	£8.0m	Not stated
(26)	Health and Safety Executive	Requirement for information on accidents at work and on industrial diseases	c.£1m	Not stated

(D) The work of professional advisers

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(5)	Overseas Development Administration	Professional advisers other than economists	£2.1m	55
(23)	Government Actuary's Department	Nature and extent of the Actuarial Services needed by Ministers	£0.6m	61

(E) The policy-making process, with particular regard to simplicity and cost of implementation

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(12)	Department of Industry	Methods of assessing the cost-effectiveness of Selective Financial Assistance	Not stated	Not stated

(F) Conduct of relations between sponsoring divisions and nationalised industries

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(11)	Department for National Savings	Improving the quality of the Post Office service paid for by the Department	£61m	Not stated

6. The Department observe, correctly, that the scrutiny would, ideally, be done jointly with the Post Office, in which case the reporting arrangements should include the chairman of the PO Corporation as well as Lord Cockfield. I very much agree.

Recn. 1

7. I recommend that, subject to exceptions noted below and to my trying to improve or clarify the scope of the proposals made where necessary, you should accept the proposals listed at A - F above.

8. The conduct of relations between sponsoring divisions and nationalised industries was also raised with Ministers at a meeting of E(NI) before Christmas. The main departments concerned - Energy, Industry, Trade and Transport - have not made relevant

proposals, although Trade and Industry are proposing to conduct "organisation development" exercises on their relationship with nationalised industries (Trade with either the British Airports Authority or British Airways.) I suggest that I might on your behalf encourage Mr Biffen to convert his exercise into a scrutiny. But if he refuses the exercise could still - if done with enough vigour - help pave the way for a wider review later on. My hopes that Energy would come up with a proposal have not been justified but I am seeing Mr Lawson presently and would like your authority, please, to pursue this idea with him further perhaps for 1983. The Secretaries of State for Industry and Transport have made very acceptable alternative proposals and I would not recommend asking them for additional scrutinies at this point.

*I understand
the CPRs
are happy
with these
suggestions.*

Recn. 2

Recn. 3

9. Perhaps I might now revert to the Post Office. The Home Secretary mentions TV licences. He does not propose a scrutiny here this year, but says that if there were to be a single study covering the departments which use the Post Office he would be prepared to join. The Secretary of State for Transport mentions Vehicle Excise Duty licences, a small bit of PO business and only recently expanded. But he too would be interested in a general study of Departments' use of PO counter services. No other Minister mentions the issue, which - as you will recall from the social security benefits payments controversy - can be explosive.

Recn. 4

10. I think that a modest beginning is probably the right way forward. If we find in discussion of the DNS proposal with the Post Office that we can widen the scope, Ministers might be encouraged to do so.

OTHER PROPOSALS

Paper and complexity of regulations

11. Paper was not one of the "areas" mentioned in Mr Whitmore's letter, but I welcome the Minister of Agriculture's proposal, as follows:

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(15)	MAFF	Generation/use of written documents	To be established by the scrutiny	

12. As it happens, two scrutinies from last year's programme - the generation of information (FCO) and the dissemination of information (MOD) - also bear on this subject. I would want to encourage Mr Walker to complete the exercise soon, so that the lessons to be drawn from all three can be drawn out and disseminated.

13. I am also very interested in the complexity of regulations which can be a great trial to public and staff alike. I therefore welcome the Chancellor of the Exchequer's proposal:

<u>Proposal</u>	<u>Department</u>	<u>Subject</u>	<u>Cost</u>	<u>No of staff</u>
(9)	Inland Revenue	District Memoranda and Instructions to Tax and Collection Offices	at least £0.3m	45

It is worth quoting the reasons given for the selecting the subject which could probably be repeated fairly widely across Whitehall:

"Our Instruction Manuals contain some 3½ million words, and each year around 4,000 pages are revised. In addition approximately 500 circulars on different topics are issued, with each topic requiring on average about 3 pages of instructions. The Department is aware that the mass of paper issued each year is not absorbed by local staff as well as it might be. A study in this area may not produce direct economies in terms of staff or materials but if it led to better assimilation of the material by local office staff, their work would be performed more accurately and efficiently."

We need to keep up pressure for greater delegation of authority to local offices and to look hard at the relationships between headquarters and those offices if we are to slim down the bureaucracy. There is still good scope for increasing the discretion of local managers within broad guidelines to which they are held responsible.

Recn. 5 14. Subject to ensuring that the Revenue scrutiny, in particular, covers this wider ground I recommend that you should approve these two proposals.

PROPOSALS OF DOUBTFUL MERIT

15. Two of the proposals are, frankly, tiddlers alongside the largest. Billing and collection of fees for the registration of deeds by the Department of the Registers of Scotland and administration and procedures under the Land Drainage Act 1976 in Wales (nos. 18 and 19) account for only 12 staff between them.

Recn. 6 16. The Welsh Office proposal may open the door to a wider exercise in England and is interesting in its own right as a study of one part of the "mini-Whitehall" in Cardiff. But the Welsh Office is not taking part in any of the three Service-wide reviews and so is lucky to get away with this very modest proposal. So I recommend that it should be accepted but that another subject be sought in addition; my own candidate would be some aspect of planning. It would best be examined in collaboration with the Department of the Environment (see para. 19 below).

Recn. 7 17. By contrast the Scottish Office is taking part in the Resource Control review (the Prison Service) and Personnel Work review. The Scottish Registers Department proposal is however about the work of an Executive Officer and 6 Clerical Officers, engaged on a very simple task which should be well capable of being reviewed on scrutiny lines without the formality of inclusion in the scrutiny programme. I therefore recommend that it should not be accepted.

18. The Secretary of State for the Environment's proposal (13) is the DOE Cartographic Service, whose staff cost is £1.4m. This is all right as far as it goes - it may help should there be a question later of reviewing similar services elsewhere in Government - but it is a pretty modest proposal given that

- (1) previous DOE(Central) scrutinies have been mainly about systems - MINIS, Joubert and financial control over the water industry;
- (2) the other scrutiny (of the Regional Organisation) was of modest quality and modest effect;
- (3) DOE(Central) is not taking part in any of this year's Service-wide reviews; and
- (4) the Secretary of State will be appearing at your presentation on 24 February before colleagues who have tackled and are tackling bigger and wider issues as an exponent of good management.

Recn. 8

19. I recommend that Cartographic Services should be accepted but that Mr Hesletine should be pressed for a second subject. This might be found in the planning area, eg the value added by regional and structure planning (see para. 16 above) or in the value for money DOE gets for the taxpayer from the fringe bodies it finances.

DESIRED EXEMPTIONS

20. Ministers have requested exemptions as follows:

- (1) Chancellor of the Exchequer: "Central policy areas" of HM Treasury, given that a scrutiny of the Civil Service Catering Organisation is proposed (no. 6, page. 3 above) and that a review of the work of the Expenditure Divisions

in relation to playing their "proper part in connection with financial management in Departments" is still in progress. I agree with this. (The Expenditure Divisions scrutiny started in July but I understand that it will be brought to a conclusion next month.)

- (2) Lord President of the Council: Administrative Privy Council Office and Judicial Committee of the Privy Council. (The PCO has 36 staff and an estimated expenditure in 1981-82 of £0.6m.) Mr Pym says that both have "fixed and largely statutory functions". Neither has been included in the programme before and I agree that they should be left out again this year though not for ever.
- (3) Secretary of State for Education and Science: Sir Keith Joseph argues that DES is a relatively small department (it and the UGC have 2,545 staff and a net staff and administrative budget of £23m), that it undertook three "Rayner" exercises last year (HMI, Museums and statistics - the last of these was actually in 1980), that there will be follow-up work to do and that DES's main effort this year should be in the Review of Running Costs. But Sir Keith Joseph adds that he will look out for a suitable area for scrutiny which might be added to the programme, subject to progress with other efficiency work. Despite the element of special pleading here, I sympathise with Sir Keith Joseph: the Department might be well advised to concentrate on delivering the HMI scrutiny and the Museums scrutiny, apart from which the SSRC review under Lord Rothschild may cause trouble. But, subject to your views, I would wish to ask that serious attempts be made to find a scrutiny for the autumn - perhaps concerned with relationships with Research Councils.

Would prefer something with UGC - in view of the criticisms

- (4) Secretary of State for the Environment: Property Services Agency. I agree with this. The PSA is taking part in two of the Government-wide reviews - Resource Control (District Works Service) and Personnel Work - and will be helping with the Running Costs review. Apart from that, PSA has to implement the move to repayment, it also has a lot of other review work in hand and a new Chief Executive.
- (5) Secretary of State for Scotland: Main Scottish Office: Mr Younger asks for exemption on the grounds that the SO is taking part in two Government-wide reviews, of Resource Control (Scottish Prison Service) and of Personnel Work. I agree.
- (6) Chancellor of the Duchy of Lancaster: Management and Personnel Office. I agree with Lady Young's view that as the MPO is taking part in the Running Costs review and is being otherwise worked over in the process of devising its first Action Document it should not be obliged to come up with a scrutiny at this point. But in view of its leading role on efficiency work, if it is able later in the year to offer a subject for scrutiny that will be all to the good.
- (7) Secretary of State for Energy: Mr Lawson's Department is taking part in the review of Running Costs. He explains that it is engaged in implementing points arising from the CPRS report on nationalised industries and that each of the relevant divisions (Coal, Gas and Electricity) has tasks either in hand or in prospect which militate against a scrutiny of working relationships with a nationalised industry; it is a "small" Department (actually 1,220 staff, with a wages and administration bill of £16m net).

The Department's record in the scrutiny programme is not impressive but there may be reasons why next year would be preferable and, as already suggested (para. 8 above) I suggest that you authorise me to see whether Mr Lawson can be encouraged to come up with a scrutiny in the nationalised industry area. It would be timely so to extend the scope of the programme.

- (8) Secretary of State for Employment: Department of of Employment. Mr Tebbit is, I think, right to argue that DE, which is participating in both the Running Costs and Personnel Work reviews, should not also engage in the scrutiny programme. He draws attention to the fact that a substantial scrutiny of the MSC's General Employment Service (no. 25) is in train; offers a scrutiny in the Health and Safety Commission (no. 26); and observes that his own Unemployment Benefit Service is too hard pressed recovering from last year's pay dispute, implementing decisions on the 1980 scrutiny of benefits for the unemployed and introducing the taxation of benefit to allow involvement in the scrutiny programme. I agree.

- Recn. 9 21. I recommend that you should agree to the exemptions listed above, subject to the points noted.

OTHER OBSERVATIONS AND CONCLUSIONS

22. The range of proposals made this year is very wide. It extends from the MSC's General Employment Service with 10,600 staff and an expenditure of £135m pa at one extreme to the billing and collection section of the Department of the Registers of Scotland with its 7 staff and a expenditure of £38,000 at the other. Overall, the value of the areas subject to scrutiny

and Government-wide review this year is as follows:

<u>Exercise</u>	<u>Expenditure</u>	<u>Staff</u>
Scrutiny programme	At least £350m*	At least 20,000
Resource Control reviews /	At least £550m	At least 35,000
Personnel Work review	Not yet known	c. 10,000

23. This year's "efficiency strategy" will accordingly cover a substantial area of central Government. If I may say so, I think that you and your colleagues may take a good deal of pride in this, not least because the "efficiency" work of earlier years has left some departments, not all, with a sizeable body of continuing implementation work.

24. I have already drawn attention to the possible extension of the scrutiny technique into some other parts of the public sector, the Post Office and the nationalised industries. I will aid this as best I can without putting success at risk by pushing too hard. May I draw your attention also to the reference in the minute to you from the Secretary of State for Social Services to his plans for scrutinies into various aspects of the National

* Including estimates based on the numbers of staff involved. But as neither cost nor staff numbers are quoted in some Departmental proposals the actual coverage will be rather greater than shown.

/ The resource control reviews will cover prisons (GB), PSA District Works Offices, the Meteorological Office, the Coastguards Service, the Royal Mint (which together account for expenditure of over £500 million a year) and the vastly larger support activities for the RAF where savings of millions of pounds a year are being sought in the review.

Health Service? If these come off, it will be greatly to the credit of Mr Fowler and Sir Kenneth Stowe. Here, too, I am lending what support I can. It would be good if the message sent on your behalf to Mr Fowler could offer him your encouragement.

25. The Ministry of Defence is of particular interest to me as a former Chief Executive of the Procurement Executive and as someone who well recognises the problems of the Ministry's political, military and civil service heads. The Secretary of State's minute to you of 15 January offers two substantial scrutinies (no.s 16 and 17, the administration of pay and pensions) and two good Resource Control reviews (RAF Support, which is an enormous area, and the Meteorological Office which, with 3,900 staff, is bigger than one might expect). Both the Chancellors of the Exchequer and the Duchy of Lancaster have proposed that more be sought.

26. I think that, at the right time, the prospects of persuading Mr Nott to include Army and Royal Navy training in the Resource Control review are quite favourable, but I am also clear that that time is not quite yet. It may be more propitious when we have seen a little more of the RAF support review, which will also cover RAF training. While, therefore, I propose that my unit should write to all other Departments conveying your decisions, I recommend that Mr Whitmore should respond on your behalf to Mr Nott and I shall offer you a draft for this purpose presently suggesting that later in the year another study - by preference in army and/or navy support areas - should be associated with the resource control review programme, drawing on the experience which will have been gained by then from the review of RAF support and the Meteorological Office.

Recn. 10

27. The Chancellor of the Exchequer notes that he is considering a scrutiny of the Customs and Excise VAT Headquarters at Southend, either this year or next. I recommend that the idea should be encouraged, with a view to inclusion in this year's programme if possible.

Recn. 11

28. As there was a Question last December by Mr Ray Powell MP on the involvement of Marks and Spencer staff in Government work, perhaps I may draw your attention to the fact that my Company has agreed with a request from Treasury Ministers to second someone to help with the scrutiny of the Civil Service Catering Organisation (no. 6). This will be Miss Sybil Barnes, the Head of Staff Catering Service.

29. Finally, I suggest that you should authorise me to take a particular interest on your behalf in the following scrutinies:

<u>No</u>	<u>Department</u>	<u>Subject</u>
4	FCO	Passport Office
7	Inland Revenue	PAYE end-year procedures
9	Inland Revenue	District Memoranda and Instruction
11	DNS	Improving the quality of Post Office Services
15	MAFF	Generation and use of written documents
16, 17	MOD	Service/civilian pension administration; Service pay and records
21	DTp	Administration/enforcement of the Goods Vehicle Operator Licensing system
22	DHSS	Payment of benefit to hospital patients
25	MSC	General Employment Service (with which I am already engaged)

Note: I would also help to some extent with the NHS programme (para. 24).

Summary of recommendations

30. I ask you to authorise action on my recommendations, which are as follows:

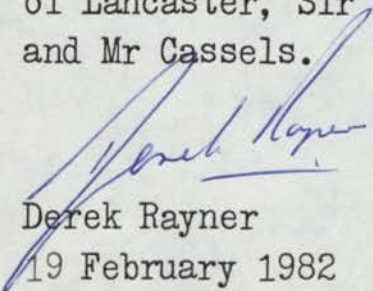
- (1) You should accept the proposals at A - F (paras. 4 - 6), subject to the exceptions noted and my trying to improve and clarify the scope of proposals where necessary (para. 7).
- (2) I should encourage the Secretary of State for Trade to convert the proposed exercise on his Department's sponsorship of the British Airports Authority or British Airways into a scrutiny (para. 8).
- (3) I should pursue with the Secretary of State for Energy the idea of a similar scrutiny for 1983 in his field of responsibility (para. 8).
- (4) We should settle for a modest beginning in applying scrutinies to the Post Office - concentrating for now on the idea of a joint scrutiny in respect of National Savings work, but with an eye to a wider study involving other Departments if that seems feasible (para. 10).
- (5) You should accept the proposals for scrutinies of the generation and use of written documents in the Ministry of Agriculture and of memoranda and instructions in the Inland Revenue (para. 14).
- (6) I should pursue with the Secretary of State for Wales the possibility of a second scrutiny in addition to that on land drainage (para. 16).

*I understand the
CPRS is content
with these two
proposals.*

*LH
19/2*

- (7) The billing and collection of registration fees by the Department of the Registers of Scotland should not be accepted for inclusion in the scrutiny programme (para. 17).
- (8) You should accept the Secretary of State for the Environment's proposal to scrutinise his Cartographic Services; but authorise pressure for a second subject, perhaps in the field of planning or relationships with fringe bodies (para. 19).
- (9) You should agree to the exemptions listed in para. 20 subject to the points noted (para. 21).
- (10) Mr Whitmore should respond to Mr Nott's proposals welcoming their nomination and suggesting that later in the year another study - by preference in army and/or navy support areas - should be associated with the resource control programme (para. 26).
- (11) The idea of including the Customs and Excise VAT HQ in the programme, preferably this year, should be encouraged (para. 27).
- (12) You should authorise me to take a particular interest on your behalf in the ten scrutinies listed in para. 29.

31. I am copying this minute to the Chancellor of the Duchy of Lancaster, Sir Robert Armstrong, Sir Douglas Wass, Mr Ibbs and Mr Cassels.


Derek Rayner

19 February 1982

Enc: Summary of proposals for 1982

<u>DEPARTMENT</u>	<u>PROPOSALS FOR INCLUSION IN SCRUTINY PROGRAMME</u>	<u>COMMENT</u>	<u>RESOURCE CONTROL REVIEW</u>	<u>RUNNING COSTS REVIEW</u>	<u>PERSONNEL WORK REVIEW</u>
<u>Home Office</u>	(1) Administration of the Criminal Injuries Compensation Scheme. £2.9m pa administration cost. Staff number not stated.	Acceptable subject to the terms of reference not being too narrowly drawn.	Prison Service	No	Yes
<u>Lord Chancellor's Department</u>	(2) Administrative procedures for means assessment of those applying for civil legal aid (see DHSS, below).	Jointly with Department of Health and Social Security (see below).	No	No	Yes
<u>Foreign & Commonwealth Office</u>	(3) Use made of Diplomatic Service personnel overseas. To start Feb. 82. (4) Passport Office (1,000 staff. Cost not stated.)	(1) Acceptable (deferred from programme for 1981). (2) Acceptable.	No	Yes	[Internal review of the possible integration of personnel management and financial and manpower control between FCO and ODA.]
<u>Overseas Development Administra- tion</u>	(5) The work of the ODA's professional advisers, other than Economists (55 staff, £2.1m pa). To start March/April 1982.	Acceptable	No	No	[-]
<u>HM Treasury</u>	(6) Civil Service Catering Organisation. 1,500 staff; annual subsidy £30m. To start 1 May 1982 (provisional).	Acceptable. (One of the two examining officers will be Miss Sybil Barnes, Head of Staff Catering at Marks & Spencer.)	Royal Mint	No	No

DEPARTMENTPROPOSALS FOR INCLUSION
IN SCRUTINY PROGRAMMECOMMENTRESOURCE
CONTROL
REVIEWRUNNING
COSTS
REVIEWPERSONNEL
WORK
REVIEWInland
Revenue

(7) PAYE End of Year Procedures (one of the most clerically-intensive operations in the Dept.) 4,400 staff units, with potential for saving at least 1,000 (22%). To start mid-April 1982.

Acceptable.

No

No

Yes

(8) Review of visits made to the public by Inland Revenue staff. 1,800 man years of effort in Local Collection Offices, PAYE Audit Units and local Valuation Offices, plus some £1m pa for car hire.

Acceptable

(9) District Memoranda and Instructions to Tax and Collection Offices (ie notification of changes to procedures in year). 45 staff units at HQ. Publishing £0.3m pa. Reading time in local offices. To start 1 September 1982.

Customs &
Excise

(10) Processing of Customs Import Entries: examination of cause, detection and correction of errors. Errors on entries are thought to involve c. 1,250 staff at a cost of £13.5m pa. To start 1 August 1982.

Acceptable

No

No

Yes

Possibly also a major scrutiny of VAT Headquarters at Southend, either 1982 or 1983.

Year under consideration by the Chancellor of the Exchequer. Topic very acceptable.

<u>DEPARTMENT</u>	<u>PROPOSALS FOR INCLUSION IN SCRUTINY PROGRAMME</u>	<u>COMMENT</u>	<u>RESOURCE CONTROL REVIEW</u>	<u>RUNNING COSTS REVIEW</u>	<u>PERSONNEL WORK REVIEW</u>
<u>Department for National Savings</u>	(11) Improving the quality of the Post Office service paid for by the Dept. (total cost £61m). (Cost of DNS staff required to correct Post Office non-accounting errors estimated at £1.5 - £2.0m.) To start 1 March.	Acceptable. (Might better be done jointly with the Post Office in which case the reporting arrangements should include the Chairman of the PO.)	No	No	No
<u>Department of Industry</u>	(12) The methods used to assess the cost-effectiveness of Selective Financial Assistance. Estimated expenditure £250m in 1982-83. (Cost of staff effort not stated.)	Acceptable, as a scrutiny of the policy function of analysis, decision-taking and evaluation.	No	No	No
<u>Department of the Environment</u>	(13) Cartographic service in DOE, (£1.14m). To start 1 April.	(1) Acceptable as a possible fore-runner for a Government-wide review of Cartographic Services (to be found in other departments too). (2) But not a very impressive candidate as a single bid from DOE.	No	No	No
<u>Property Services Agency</u>	No scrutiny proposed.	Acceptable.	District Works	Helping	Yes

<u>DEPARTMENT</u>	<u>PROPOSALS FOR INCLUSION IN SCRUTINY PROGRAMME</u>	<u>COMMENT</u>	<u>RESOURCE CONTROL REVIEW</u>	<u>RUNNING COSTS REVIEW</u>	<u>PERSONNEL WORK REVIEW</u>
<u>Department of Education and Science</u>	Not "desirable to start another scrutiny just yet in this relatively small department" but will "keep a look out over the next few months in case a suitable scrutiny area can be identified and, subject to progress with other efficiency work, be added to the programme".	See covering minute.	No	Yes	No
<u>Lord President of the Council</u>	No proposals in respect of administrative Privy Council Office and Judicial Committee of the Privy Council.	Agreed.	No	No	No
<u>Northern Ireland Office</u>	(14) Acquisition, management and disposal of land by the NI Civil Service. Preparatory work has begun (c.400 staff.)	Already agreed in principle.	No	No	No
<u>MAFF</u>	(15) The generation and use of written documents in MAFF. Starting date to be agreed. Costs to be established.	Acceptable.	No	No	Yes
<u>Ministry of Defence</u>	(16) Service and civilian pension administration. (£7.8m, c.700 posts). (17) Service pay and records. (£55m, c. 3,700 posts.)	(16) Acceptable. (17) Acceptable. 4	(1) RAF support plus associated individual training. (2) Met. Office.	No	No

<u>DEPARTMENT</u>	<u>PROPOSALS FOR INCLUSION IN SCRUTINY PROGRAMME</u>	<u>COMMENT</u>	<u>RESOURCE CONTROL REVIEW</u>	<u>RUNNING COSTS REVIEW</u>	<u>PERSONNEL WORK REVIEW</u>
<u>Scottish Office</u>	Not main Scottish Office. (18) Billing and collection of registration fees. Dept. of Registers of Scotland (7 staff, £37,889).	Acceptable. (18) A worthwhile subject, but too small for inclusion in the programme?	Prison	No	Yes
<u>Welsh Office</u>	(19) Administrative and grant procedures under the Land Drainage Act 1976. (5 staff, plus part-time professional and administrative involvement). To start Feb. 82.	Small, but acceptable.	No	No	No
<u>Department of Trade</u>	(20) Practice relating to the supervision of insurance companies (62 staff, £600,000 pa). To start Nov. 82. Not proposing a scrutiny of relationships between sponsoring Divisions and nationalised industries, but an "organisation development" exercise on DOI sponsorship of either the British Airports Authority or British Airways.	(2) Acceptable. Raises wider issues: see covering minute.	Coast-guard Service	Yes	No
<u>Department of Transport</u>	(21) Administration and enforcement of the Goods Vehicle Licensing System (£8m). To start March 82. Would be interested in a study of Departments' use of the Post Office	(21) Acceptable. Raises wider issues: see covering minute.	No	No	No

<u>DEPARTMENT</u>	<u>PROPOSALS FOR INCLUSION IN SCRUTINY PROGRAMME</u>	<u>COMMENT</u>	<u>RESOURCE CONTROL REVIEW</u>	<u>RUNNING COSTS REVIEW</u>	<u>PERSONNEL WORK REVIEW</u>
<u>Department of Health & Social Sec- urity</u>	(2) Assessment of legal aid in civil cases. (600 staff, £6+m). To start Autumn 1982. (22) Payments of social security benefits to people in hospital. (Costs not stated.) To start as early in 1982 as possible.	(2) Acceptable. Jointly with LCD. (22) Acceptable.	No	No	Yes
<u>Management and Personnel Office</u>	"The whole work of the Office is being looked at pretty sharply in the course of preparing our first action document for 1982-83. It may be that subjects which can usefully be scrutinised will emerge after, but it is too early so far to say."	Acceptable.	No	Yes	MPO rules and codification will be covered.
<u>Government Actuary's Department</u>	(23) The actuarial services needed by Ministers. (61 staff, £0.6m pa). Started January 1982.	Acceptable (postponed from 1981).	No	No	No
<u>Paymaster- General</u>	(24) Declarations of entitlement for public sector pensions. (£0.07m, part of the work of 600 staff.)	Acceptable (postponed from 1981).	No	No	No
<u>Department of Energy</u>	No reply but Mr Lawson has previously indicated he hasn't the resources to do more than the running costs review, although he does not rule out something for later in the year.	See covering minute.	No	Yes	No

<u>DEPARTMENT</u>	<u>PROPOSALS FOR INCLUSION IN SCRUTINY PROGRAMME</u>	<u>COMMENTS</u>	<u>RESOURCE CONTROL REVIEW</u>	<u>RUNNING COSTS REVIEW</u>	<u>PERSONNEL WORK REVIEW</u>
<u>Department of Employment</u>	"Too hard pressed in recovering from the Civil Service dispute, implementing the earlier Rayner scrutiny of employment benefit and introducing taxation of benefit to allow involvement in any further scrutiny this year."	Acceptable.	No	Yes	Yes
<u>Manpower Services Commission</u>	(25) General Employment Service. (10,600 staff, £135m).	Already agreed and in train.	No	No	Yes
<u>Health & Safety Executive</u>	(26) The arrangements for the supply and use of information on industrial accidents and diseases. (c. £1m to HSE alone.)	Acceptable as a first step towards looking at the working of the Inspectorates.	No	No	In part
<u>TOTALS</u>	<u>26</u> (of which <u>3</u> are postponed from 1981)	-	<u>7</u>	<u>6</u>	<u>9</u>

PART 11 ends:-

Prestley to WR 12/2/82

PART 12 begins:-

Prestley to PM + att 19/2/82

