

PREM 19/1251

PART 15

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The Rayner Programme
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GOVERNMENT
MACHINERY

PART 1 : May 1979

PART 15 : March 84

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
13.3.84		17.5.84					
14.3.84		23.5.84					
19.3.84		29/5/84					
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4/4/84		12.6.84					
5.4.84		20.6.84					
9/4/84		27/6/84					
10.4.84		29.6.84					
11.4.84		6/7/84					
17/4/84		10/7/84					
25.4.84		16/7/84					
8/5/84		26/7/84					
9/5/84		1.8.84					
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30 July 1984

PRIME MINISTER

1983-84 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

As you know, in the course of the Cabinet's 5 July discussion on public expenditure, I reported briefly on the overall outcome of the 1983-84 annual scrutiny of departments' running costs.

I now attach the full report on this scrutiny. In line with our decision on 5 July, it will be the last backward-looking scrutiny report. Including the Ministry of Defence figures it shows annual costs increasing by 6.3 per cent compared with inflation of 4.7 per cent. Excluding Defence (where the comparison is still affected by Falklands costs) the cost increase was 6.9 per cent. However, if the costs of certain decisions taken centrally, rather than by individual departments, are excluded (principally changes in the basis of charging for accommodation and notional pension costs) the rate of growth was 4.3 per cent including Defence (slightly below inflation) and 5.5 per cent excluding Defence (0.8 per cent above inflation).

So far as the provision for 1985-86 is concerned, in aggregate departments are seeking an increase of 3½ per cent over 1984-85, below the expected rate of inflation. The Treasury is, as we agreed on 5 July, discussing with departments the provision they are seeking as part of the Public Expenditure Survey. The Cabinet will next have an opportunity to consider departments' running costs when I make a further report on the Public Expenditure Survey.

I am sending copies of this minute and the report to Cabinet colleagues, Lord Gowrie, Sir Robin Ibbs and Sir Robert Armstrong.


P REES

REPORT ON THE 1983-84 SCRUTINY OF DEPARTMENTAL RUNNING COSTS

The running costs of central government departments (including the armed forces and the Northern Ireland Departments) in 1983-84 were £16 billion, offset by £2 million receipts. The results of the 1983-84 scrutiny of running costs are discussed below.

TOTAL RUNNING COSTS

2. This is the fourth annual scrutiny and a run of figures is now available to show how running costs have increased since 1979-80; these are given in the table below. The figures in the first three columns are those reported last year, although the GDP deflators have been updated.

	1979-80 to 1980-81	1980-81 to 1981-82	<i>Percentages</i> 1981-82 to 1982-83	1982-83 to 1983-84
Total running costs	19.2	11.5	9.4	6.3
(excluding MOD*)	23.8	11.1	7.6	6.9
Cost per head	20.5	12.9	11.6	8.0
General inflation (GDP deflator)	18.7	9.9	6.8	4.7

* Including the armed forces distorts the figures for 1982-83, the year of the Falklands conflict, and 1983-84

Details of the 1983-84 running costs of the larger departments are given in Annex A.

3. The figures show costs increasing ahead of general inflation. However, factors outside departments control - for example changes in the basis of accommodation costs resulting from the introduction of repayment on 1 April 1983 (see paragraph 14) and the steep increase in the superannuation on cost (see paragraph 8) - are an important determinant of the size of the overall running cost increase. Not all decisions taken centrally increased costs; for example civil service pay settlements were below inflation in the years 1981 and 1982 and the national insurance surcharge has been abolished. The analysis at Annex B suggests that, even if the main centrally determined changes are excluded from the picture, running costs are increasing faster than inflation.

SAVINGS

4. In their commentaries on 1983-84 running costs Ministers have reported on areas where savings have been made. In total they have identified £20m of once off savings and continuing savings of £60m per annum. Examples are savings of £22m a year from a review of staffing allowances in the unemployment benefit

service; £12m a year in the Ministry of Defence from contracting out cleaning and catering and £4m a year in the Department of Health and Social Security by the use of a special Post Office van for collecting and delivering internal mail. Annex C gives details.

ANALYSIS BY TYPE OF EXPENDITURE

Manpower and Pay

	1982-83 £m	1983-84 £m	difference per cent
Pay - civil servants	4,633	4,769	3
- other staff (mainly armed forces)	2,809	2,989	6
- overtime and casuals	336	334	-1
- locally engaged staff	339	353	4
- other	103	115	12
National insurance	609	598	-2
Notional pensions liability	1,578	1,766	11
	<u>10,407</u>	<u>10,924</u>	<u>5</u>

5. Pay and related costs represent nearly 70 per cent of total running costs. These costs increased a little faster than the rate of inflation.

6. Pay in the civil service increased well below inflation. This reflects a fall in man-years of $2\frac{1}{2}$ per cent and pay rises of 4.85 per cent for most civil servants, and 6 per cent for senior civil servants. The pay of other staff increased above inflation although Ministers' pay increased by only $3\frac{1}{2}$ per cent; there were pay increases of 7 per cent for the armed forces and 6 per cent for senior officers.

7. National insurance decreased; the National Insurance Surcharge was reduced from $2\frac{1}{2}$ to 1 per cent during 1983-84 but this saving was partially offset by an increase of about 0.65 per cent in employers national insurance contributions.

8. Notional pensions liability increased at twice the rate of inflation. The Civil Service has an unfunded, pay-as-you-go pension scheme whose costs are not charged to departments. The pensions liability included in running costs is notional expenditure calculated as a percentage on-cost on top of the pay bill. The Government Actuary revised his on-cost (from $21\frac{1}{2}$ to 24 per cent for non-industrial civil servant and from $18\frac{1}{2}$ per cent to 21 per cent for industrials) from 1 April 1983 to reflect in part changed long term economic assumptions, and a factor to allow for deficiency payments. Most funded schemes have had to increase payments to cover deficiencies caused by poor investment performance in the 1970s.

Personnel Overheads

	1982-83 £m	1983-84 £m	Difference per cent	Difference excluding MOD per cent
Travel and subsistence	414	412	-1	9
Removals	154	150	-2	4
Training	29	40	36	38
Entertainment, catering, uniforms etc	231	241	4	7
	<u>828</u>	<u>843</u>	<u>2</u>	<u>9</u>

9. Personnel overheads account for just over 5 per cent of running costs. The increase in these costs for all departments between 1982-83 and 1983-84 is distorted by high expenditure in 1982-83 in the Ministry of Defence because of the Falklands conflict. The discussion below focuses mainly on figures excluding the Ministry of Defence.

10. Travel and subsistence accounts for about half of personnel overheads. For all departments except the Ministry of Defence expenditure has increased at nearly twice the rate of inflation. There were particularly high increases in travel costs in 1983-84 in the following departments:

the department of Energy; because of the Sizewell Inquiry and increased export promotion work by the Offshore Oil Supplies Office.

the department of Employment; because of increased staff training in the unemployment benefit service and increased activity by Industrial Tribunals and regional benefit investigation teams.

the Manpower Services Commission; mainly due to the expansion of programmes such as the Youth Training scheme.

the Home Office; mainly because of the dispersal of staff to Bootle.

11. Removal costs increased well below inflation. Customs and Excise actually reduced expenditure on this item following the introduction of a new transfer system. Expenditure in the Manpower Services Commission decreased because their 1982-83 removal costs were exceptionally high due to the department's move to Sheffield as part of the Government's dispersal programme.

12. Training expenditure is less than 1 per cent of running costs. The considerable increase (36 per cent or £11m) is mainly due to the introduction of repayment by the Civil Service College but also reflects increased demand, for example on audit and computer courses.

13. 95 per cent (£260m) of expenditure on entertainment, catering support and protective clothing is spent by four departments: the Ministry of Defence, the Department of Health and Social Security, the Home Office and the Foreign and Commonwealth Office. Overall expenditure for all departments except the Ministry of Defence increased above the rate of inflation. In the Home Office the increase was 29 per cent (£0.8m) reflecting payments for the use of Post Office/British Telecom restaurants and for protective clothing and messengers uniforms previously provided without repayment on an allied service basis. In the Foreign and Commonwealth Office expenditure fell by nearly 4 per cent (£0.1m) because the cost of overseas entertainment fell as a result of exchange rate changes.

Accommodation

	1982-83 £m	1983-84 £m	Difference per cent
PSA accommodation costs	813	911	12
Non-PSA accommodation costs	1,548	1,733	12
Notional accommodation costs	25	15	-40
	<u>2,386</u>	<u>2,659</u>	<u>11</u>

14. Accommodation costs are just over 16 per cent of running costs. They have apparently increased at about twice the rate of inflation. However, from 1 April 1983 PSA introduced repayment for property services. Figures for 1982-83 are, therefore, not on the same basis as those for 1983-84 and no direct comparison can be made for PSA accommodation costs. 90 per cent (£1,736m) of non-PSA accommodation costs were incurred by the Ministry of Defence. Expenditure increased on new work including projects in the South Atlantic, at AWRE Foulness and in the dockyards, and on maintenance. There were also additional costs arising from the redeployment of the 2nd Armoured Division from Germany and a change in the method of assessing water rates. Notional accommodation costs reduced as more repayment was introduced.

Office Services

	1982-83 £m	1983-84 £m	Difference per cent
Postage	134	138	3
Telecommunications (current expenditure)	201	221	10
Stationery, printing and binding	134	137	2
Computer hire	14	19	36
Computer maintenance	33	44	33
Office machinery (current expenditure)	37	39	5
Publicity and advertising	60	71	18
Publications and library services	20	23	15
Vehicles, IDS and Government car services	7	14	100
Other office services	55	82	49
	<u>695</u>	<u>788</u>	<u>13</u>

15. Office services account for nearly 5 per cent of running costs: they have increased at nearly three times the rate of inflation.

16. The costs of postage increased at less than the rate of inflation despite increased use of the service by the Department of Employment to pay more unemployment claims and job release scheme payments and by the Department of Transport to notify larger numbers of drivers of their test dates. Expenditure in the DHSS increased by only 1 per cent (£0.5m) as a result of more efficient arrangements for bulk postage and presorting of mail and in the Inland Revenue spending fell by 3 per cent (£0.6m) following the change to public postal methods (pre-paid envelopes were exchanged for credits from the Post Office). Departments saved expenditure on postage by transferring more correspondence from the public postal system to Datapost and Roadline Services and negotiating keener prices for Post Office services.

17. Current expenditure on telecommunications rose by 10 per cent (£20m) in 1983-84 because departments are investing in efficient equipment with a view to making savings in later years. For example the Ministry of Defence introduced new exchanges and telebrief and telecramble systems and departments installed telephone logging equipment. The Manpower Services Commission incurred extra expenditure in setting up the Training Directorate Area Office network by merging the old Training Services and Special Programme Directorate. (Capital expenditure on telecommunication is discussed in paragraph 28. Leasing equipment is charged to current expenditure and purchasing equipment is charged to capital expenditure).

18. Expenditure on stationery, printing and binding increased by less than the rate of inflation. Three departments, the Ministry of Defence, Department of Health and Social Security and the Inland Revenue account for 50 per cent (£66m) of this expenditure. In the Ministry of Defence expenditure fell by 9 per cent after peaking in 1982-83 as a result of restocking following the moratorium on expenditure introduced in 1980-81 to contain cash limit overspend. The Department of Health and Social Security and Inland Revenue reported modest increases of 3 per cent (£0.7m) and 2 per cent (£0.2m) respectively.

19. Current expenditure on computer hire and maintenance continues to rise steeply as greater use is made of computer technology. In addition to the maintenance and software costs arising from the installation of new hardware, more micro and mini computers are being used and more use is being made of computer bureaux, for example in the Ministry of Defence, the Department of Education and Science and the Manpower Services Commission. 13 per cent of the planned manpower savings to 1 April 1988 are attributed to introducing new technology.

20. Current expenditure on office machinery increased at about the rate of inflation.

21. Expenditure on publicity and advertising increased much faster than inflation (18 per cent or £11m). Much of the increase was accounted for by a few departments. The Department of Trade and Industry incurred high publicity costs for its campaign to promote Information Technology. The Ministry of Defence advertised extensively for specialist staff. The Home Office increased advertising to recruit more prison officers and costs increased for the Department of National Savings because of the need to advertise new products and interest rate changes.

22. Expenditure on publications and library services rose by 15 per cent (£3m) in part because prices increased.

23. The large increase in costs (100 per cent or £7m) for the Interdepartmental Despatch Service and Government Car Service reflects the introduction of repayment for these services. Also the major part of the increase in other office services was due to the introduction of repayment for PSA custody guards and conference facilities.

Other Services

	1982-83 £m	1983-84 £m	Difference per cent
Post Office, Giro and bank services	380	388	2
Fees for contracted out services	241	295	22
Payments to other departments	165	156	-5
	<u>786</u>	<u>839</u>	<u>7</u>

24. Other services account for just over 5 per cent of running costs. Expenditure has increased above the rate of inflation.

25. Post Office, Giro and bank services account for just under half of this expenditure. 70 per cent (£280m) of the expenditure is fees paid by the Department of Health and Social Security to the Post Office and National Giro for encashment of order books and giros. An increase significantly less than the rate of inflation has been achieved, partly by encouraging beneficiaries to change to monthly payments or to automatic credit transfer and partly by negotiating low price increases with the Post Office.

26. More work is being contracted out in line with Government policy and accordingly expenditure increased by 22 per cent (£54m). 2,500 civil service posts were saved from contracting out in 1983-84; the savings will be scored under pay and related costs (see paragraphs 5 to 8).

Capital Expenditure

	1982-83 £m	1983-84 £m	Difference per cent
Land and buildings	115	145	26
Vehicles	4	4	0
Telecommunications	14	15	7
Office machinery	9	14	55
Computers	67	89	33
Other	50	62	24
	<u>259</u>	<u>329</u>	<u>27</u>

27. Capital items such as buildings and vehicles are replaced as the need arises and expenditure varies considerably from year to year. For this reason comparison between one year and the next is not particularly useful and capital expenditure is not included in the running cost analyses in paragraph 2.

28. The Ministry of Defence and the Home Office account for 85 per cent (£120m) of expenditure on land and buildings. The Ministry of Defence have increased expenditure on the building and improvement of service married quarters and on major land purchases (due to expansion of the Barrow in Furness shipyard for Trident and establishing a new Gurkha camp at Kathmandu). Increased Home Office spending is on the prison estate. Expenditure on telecommunications, office machinery and computers has increased. This reflects the purchase of new and more efficient equipment, for example for logging telephone calls. More office machinery and computers have been bought, for example in the Department of Health and Social Security for the unemployment benefit system.

Receipts

29. Because receipts can be volatile running costs are analysed gross and receipts are not included in the running costs analysis in paragraph 2. They comprise:-

- (a) payments from external customers (£1114m)
- (b) payments from other departments (£919m)
- (c) the cost of services provided to other departments on an allied service basis where the cost is borne on the supplying departments vote (£231m)

In 1983-84 receipts totalled £2263m - an increase of 15 per cent over the previous year.

COST OF PREPARING THE REPORT

30. A broad estimate of the cost of the staff time used in the Treasury and departments in gathering and processing the information for this report is £200,000.

CONCLUSIONS

31. Running cost represent about 13 per cent of public expenditure and a 20 per cent overhead on expenditure by central Government (excluding the NHS). From 1982-83 to 1983-84 the costs increased faster than general inflation. There is a continuing need to seek to achieve tighter control.

GROSS RUNNING COSTS - 1983-84 FORECAST OUTTURN

ANNEX A

	Wages and salaries		Personal overheads		Accommodation costs		Office services		Other services		Total running costs
	EM	% of total running costs	EM	% of total running costs	EM	% of total running costs	EM	% of total running costs	EM	% of total running costs	EM
Ministry of Defence (including Armed Forces)	6043.7	69.6	597.0	6.9	1655.6	19.1	218.6	2.5	165.1	1.9	8680.1
Foreign and Commonwealth Office	197.0	54.3	27.9	7.7	84.8	23.4	42.6	11.7	10.4	2.9	362.7
Overseas Development Administration	24.4	57.3	2.1	5.0	7.5	17.5	3.7	8.7	4.9	11.5	42.6
Ministry of Agriculture, Fisheries and Food	138.8	66.6	13.8	6.6	41.1	19.7	12.6	6.0	2.1	1.0	208.4
Department of Energy	16.2	52.3	1.3	4.2	6.0	19.3	5.9	19.1	1.6	5.1	31.0
Department of Trade and Industry	159.9	60.7	7.9	3.0	54.0	20.5	33.6	12.7	8.2	3.1	236.6
Department of Employment	246.9	72.1	8.5	2.5	55.9	16.3	25.6	7.5	5.8	1.7	342.7
Manpower Services Commission	216.5	64.7	11.0	3.3	60.2	18.0	40.0	11.9	6.9	2.1	334.6
Department of Transport	141.1	54.0	8.8	3.4	33.0	12.6	29.0	11.1	49.5	18.9	261.4
Department of the Environment	97.1	60.1	5.2	3.2	34.9	21.6	16.9	10.5	7.4	4.6	161.6
Property Services Agency (excluding Supplies)	320.7	66.7	13.5	2.8	35.7	7.4	17.3	3.6	93.9	19.5	481.1
Home Office	517.2	78.5	26.5	4.0	68.5	10.4	23.9	3.6	22.3	3.4	658.5
Lord Chancellor's Department	114.2	63.9	6.8	3.8	39.2	21.9	15.5	8.6	3.2	1.8	178.9
Department of Education and Science	33.8	64.9	2.9	5.6	10.3	19.7	4.5	8.6	0.6	1.2	52.2
Department of Health & Social Security	826.4	58.2	25.2	1.8	142.6	10.0	115.1	8.1	311.8	21.9	1421.1
Her Majesty's Treasury (including CISC0)	46.2	67.6	2.0	2.9	9.6	14.1	5.4	7.9	5.2	7.6	68.3
Customs & Excise	284.2	75.6	18.0	4.8	45.7	12.1	22.3	5.9	5.8	1.5	375.9
Inland Revenue	672.9	74.6	19.4	2.1	128.9	14.3	63.9	7.1	17.1	1.9	902.2
Department of National Savings	61.7	41.1	1.2	0.8	10.7	7.1	22.4	14.9	54.4	36.2	150.4
Cabinet Office	23.9	48.8	2.6	5.4	11.8	24.1	7.3	14.9	3.4	6.8	49.0
Paymaster General's Office	7.0	56.3	0.1	0.8	1.2	9.6	2.1	17.3	2.0	15.9	12.4
Scottish Office	120.6	72.9	6.4	3.9	24.6	14.9	9.4	5.7	4.4	2.6	165.4
Welsh Office	24.3	58.4	1.5	3.6	5.7	13.8	3.2	7.6	6.9	16.6	41.6
Northern Ireland Office and Northern Ireland Departments	328.6	77.9	15.9	3.8	35.1	8.3	18.5	4.4	23.6	5.6	421.8
TOTAL MAIN DEPARTMENTS	10663.3	68.1	825.5	5.3	2602.6	16.6	759.3	4.8	816.5	5.2	15667.5
TOTAL OTHER DEPARTMENTS	260.1	68.0	17.0	4.4	56.2	14.7	26.6	7.0	22.8	6.0	382.4
TOTAL ALL DEPARTMENTS	10923.4	68.1	842.5	5.2	2658.8	16.6	785.9	4.9	839.3	5.2	16049.9

NE calculations are based on actual not rounded figures

Notes
Wages and Salaries = Wages, salaries, overtime payments, employers' National Insurance contributions and notional cost of accruing liability for pensions of serving staff;
Personnel Overheads = Travel, subsistence, removals, entertainment, catering support, protective clothing and training;
Accommodation Costs = Rates, heating, lighting, utilities, furniture and fittings, and notional market rental values for Crown and leased property;
Office Services = Postage, telecommunications, stationery, printing, binding, publications, library services, current expenditure on computers, office machinery and vehicles, and publicity and advertising;
Other Costs = Services provided by the Post Office, other agencies, and other departments.

ANALYSIS OF RUNNING COSTS FOR 1981-82 TO 1983-84

Tables 1 and 2 show how running costs have changed between 1981-82 and 1983-84. Figures are from the 1982-83 and 1983-84 scrutinies of running costs. All figures are outturn or forecast outturn. The Falklands conflict led to an exceptional increase in the Ministry of Defence running costs for 1982-83 and distorts all comparisons with this year. For this reason two tables have been prepared: Table 1 shows running costs for all departments and Table 2 costs for all departments excluding the Ministry of Defence. The discussion below relates mainly to Table 2 because these figures give a better picture of changes.

2. The tables show that total pay costs increased at much the same rate as inflation but gae increased by almost twice as much as inflation. The net effect is total running costs increasing faster than inflation.

3. Centrally determined factors which have affected running costs are shown in the tables, with their approximate effect on total running costs. These factors are of two kinds:

- (a) the basis of charging for accommodation changed over the period 1981-82 to 1983-84. For this reason a line in the tables shows running costs excluding accommodation. This shows in most cases an increase lower than for total running costs, but still well above inflation. (The exception is in Table 1 for 1982-83 to 1983-84 where the figures are distorted by Falklands related expenditure in 1982-83.)
- (b) central 'price' changes, outside departments control, affect the figures. There are a variety of such central changes, pay settlements, the reduction in the national insurance surcharge, the increase in national insurance contributions (for 1983-84 only) and the increase in the notional pensions on-cost. The net effect of all these changes is that the increase in running costs are understated for 1982-83 but overstated for 1983-84.

4. Two conclusions can be drawn from this analysis. First, steep increases in expenditure on gae cause the running costs total to increase faster than inflation. Secondly, after all centrally determined factors accommodation costs, which are not on a comparable basis, are taken into account and running costs continue to rise faster than inflation.

Table 1

DEPARTMENTAL RUNNING COSTS

	1982-83 SCRUTINY			1983-84 SCRUTINY		
	1981-82 £M	1982-83 £M	% INCREASE 1981-82 to 1982-83	1982-83 £M	1983-84 £M	% INCREASE 1982-83 to 1983-84
<u>Running Costs</u>						
Voted Pay	8,382	8,834	5.4	8,830	9,157	3.7
Notional Pensions	1,450	1,594	9.9	1,578	1,766	11.9
Total Pay Costs	9,833	10,429	6.1	10,408	10,923	5.0
Personnel Overheads	636	821	29.0	828	843	1.8
Accommodation	2,028	2,404	18.5	2,386	2,659	11.4
Voted Office Services	6,019	7,031	16.8	660	744	12.8
Other Services	644	680	5.6	787	839	6.6
Total GAE	3,717	4,387	18.0	4,695	5,127	9.2
Total running costs	13,893	15,197	9.4	15,103	16,050	6.3
Total running costs excluding accommodation	11,865	12,793*	7.8*	12,717*	13,391	5.3**
<u>Price changes</u>						
Pay settlement - Civil Service			5.9			4.85
Armed Forces			6.1			7.2
National Insurance surcharge	3½%	2%	-1.5% on pay	2%	1.2%	-0.8% on pay
National Insurance Contributions			-			+0.65 on pay
Notional pensions - non ind.	20%	21.5%	+1.5% on pay	21.5%	24.0%	+2.5% on pay
on cost - ind.	16.5%	18.5%	+2% on pay	18.5%	21.0%	+2.5% on pay
<u>Approx effect of price changes on running costs total</u>						
Pay			-0.6			+0.6
National Insurance surcharge			-0.9			-0.5
National Insurance Contributions			0			+0.4
Notional pensions			+0.7			+0.9
Total running costs excl. accom. & corrected for price changes			8.6			4.3
GDP deflator			6.8			4.7
Civil Service Manpower rundown	648,500	630,700	-2.7	630,700	611,800	-3.1

* the effect of the Falklands conflict is that figures starred * are abnormally high because of exceptional expenditure in 1982-83, and the figure starred ** is abnormally low because it is compared with the high 1982-83 expenditure.

Table 2

DEPARTMENTAL RUNNING COSTS EXCLUDING MINISTRY OF DEFENCE

	1982-83 SCRUTINY			1983-84 SCRUTINY		
	1981-82 £M	1982-83 £M	% INCREASE 1981-82 to 1982-83	1982-83 £M	1983-84 £M	% INCREASE 1982-83 to 1983-84
<u>Running Costs</u>						
Voted pay	3,789	3,996	5.5	3,980	4,119	3.5
Notional Pensions	599	672	12.2	658	761	15.6
Total pay costs	4,388	4,669	6.4	4,638	4,880	5.2
Personnel Overheads	205	228	10.9	225	245	9.0
Accommodation	782	886	13.3	904	1,003	11.2
Voted Office Services	447	517	15.7	481	533	10.6
Other Services	603	620	2.9	616	674	9.4
Total GAE	2,098	2,313	10.2	2,254	2,490	10.5
Total running costs	6,486	6,982	7.6	6,892	7,370	6.9
Total running costs excluding accommodation	5,704	6,096	6.9	5,988	6,367	6.3
<u>Price changes</u>						
Pay settlement - Civil Service			5.9			4.85
National Insurance surcharge	3.2%	2%	-1.5% on pay	2%	1.2%	-0.8% on pay
National Insurance Contributions			-			+0.65 on pay
Notional pensions - non ind.	20%	21.5%	+1.5% on pay	21.5%	24.0%	+2.5% on pay
On cost - ind.	16.5%	18.5%	+2% on pay	18.5%	21.0%	+2.5% on pay
<u>Approx effect of price changes on running costs total</u>						
Pay			-0.7			+0.1
National Insurance surcharge			-0.9			-0.5
National Insurance Contributions			0			+0.4
Notional Pensions			+0.5			+1.2
Total running costs excl. accom. & corrected for price changes			8.0			5.5
GDP deflator			6.8			4.7
Manpower rundown	445,400	436,800	-1.9	436,800	425,400	-2.6

DEPARTMENT

Ministry of Agriculture, Fisheries and Food

EXAMPLE OF SAVINGS

Total saving of £2.15M per annum have been identified. These comprise:

- £20,000 from new computerised system for journals circulation and management
- £2,000,000 from reductions in accommodation space
- £100,000 by adopting cheaper forms of postage for advisory literature and other postage economies
- £28,000 from negotiation of commission for prompt settlement of British Airways accounts.

In addition savings are expected from a variety of other measures including Rayner and other reviews; privatising or contracting out cleaning services, seed testing work, maintenance of the national collections of marine and industrial bacteria, commercial artificial insemination, security services and exhibition and display work; centralised control over replacement and maintenance of official vehicle fleet telephone extension logging and extension of use of government telephone network.

Cabinet Office

Total savings of £190,000 per annum have been identified. These comprise:

- £100,000 from increasing potential recruits contributions to travel costs
- £90,000 from privatising domestic services at the Civil Service College

In addition a review of arrangements for making overseas travel bookings should reduce costs.

Total savings of £43,000 per annum have been identified. These comprise:

- £17,000 from reducing the number of agency typists employed
- £16,000 from changing from weekly to monthly pay by bank transfer
- £10,000 from installation of automatic exchange.

Customs and Excise

Total savings of £168,000 per annum have been identified. These comprise:

- £145,000 from reducing use of PSA security guards
- £23,000 by making more use of Datapost and Roadline services and negotiating keener prices for these contracts.

Department of National Savings

Once off saving of £130,000 from sale of surplus land and continuing savings of £20,000 per annum as a result of going out to tender for clearing bank services. In addition savings are expected from computerisation and various measures to reduce PO agency charges.

Inland Revenue

Total savings of £2.5M per annum have been identified. These comprise

- £2,500,000 from local office rationalisation programme
- £15,000 by employing private vehicle fleet management specialists

Ministry of Defence

Total savings of £21.5M per annum identified. These comprise:

- £12M from contracting out cleaning and catering
- £2M from comprehensive RN stores inventory system
- £4M from closure of some boarding schools and rationalisation of school transport facilities.
- £2.5M as a result of reorganisation of Army's freight distribution system.

Ministry of Defence (continued)

£1M from relocating training courses
Once off savings of £20.05M have also been identified. These comprise:
£5.7M over ten years from contracting out traffic accident business and handling of employers' liability claims
£2.5M as a result of review of support functions in R&D Establishments
£3.75M from group incentive bonus scheme
£2.1M over ten years from introduction of additional computer hardware for centralised bank payment system for airmen.
£6M over five years from installation of more micro computers

Employment Group

Total savings of £24.81M per annum have been identified. These comprise
£600,000 from staff inspection up to
£22,000,000 from review of staffing allowances in unemployment benefit service
£700,000 from review of training costs
£60,000 from bringing some printing work in house
£25,000 from economies in use of business reply stationery
£280,000 from extending use of microcomputers
£1,000,000 from new system of producing employment statistics
£120,000 from change to standard payroll system
£25,000 from review of supply of periodicals

Foreign and Commonwealth Office

Total saving of £450,000 per annum have been identified. These comprise:
£439,000 from review of passport office
£11,000 on stationery and office supplies.

Overseas Development Administration

Savings of £9,000 per annum from privatisation of press cutting service.

Lord Chancellor's Department

Savings of £7,500 per annum from use of British Rail "Travel Key" facilities.

Paymaster General's Office

Savings of £60,000 per annum from connection to government telecommunications network.

Northern Ireland Office

Savings of £750,000 per annum from introduction of a rota attendance system for the Civilian Search Unit and once off savings of £308,000 from use of civil instead of RAF, flights for Ministers.

Scottish Departments

Total savings of £2.5M per annum have been identified. These comprise:

£1,200,000 in pay and accommodation costs.
£50,000 from reduction in postal costs
£900,000 on periodical circulation
£350,000 from change to contract cleaning

Department of Health and Social Security

Total savings of £7.9M per annum have been identified. These comprise

£385,000 from a change in the procedures for screening claims for renewal of Attendance Allowance
£4,000,000 from use of a special Post Office van for collection and delivery of mail
£250,000 by ending automatic notification of non-entitlement to retirement pension
£2,500,000 from new arrangements for bulk postage and for pre-sorting of mail
£750,000 from computerisation of general alphabetical index of contributors at Newcastle.

In addition savings have been made from reduction in the number of regional offices and from the introduction of a postal claims form for supplementary benefit.

Department of Trade and Industry

Total savings of £468,000 per annum have been identified. These comprise

£173,000 with further firm savings in view of £690,000 from review of support services at research establishments.
£295,000 from contracting out cleaning, data preparation and security.

Export Credit Guarantee Department

Savings of £50,000 per annum from reduction in expenditure on postage resulting from use of franking equipment.

Other Departments

Total savings of £123,000 per annum have been identified. These comprise:

£65,000	from installation of new switchboard
£27,000	resulting from purchase of word processor
£30,000	from reduction in private office staff.

In addition savings have been made from using British Rail "Travel Key" scheme; purchase of micro-computers; from introduction of telephone logging and from computerisation.

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Seminar file

Department of Trade and Industry

AIMS



Introduction

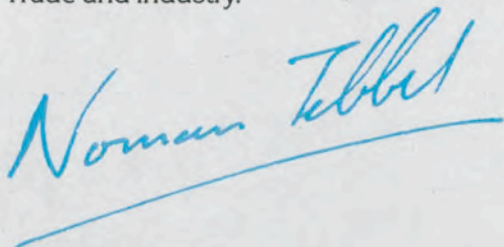
The creation of the Department of Trade and Industry highlighted the central importance given by the Government to the interests of commerce—the means by which this country earns its living in the world. The distinctions between service and manufacturing industries in home and export markets matter little to the creators of wealth, and the new organisation ensures that industrial and commercial policies are designed in harmony from their inception rather than co-ordinated after leaving their separate stables.

The merger facilitates clearer and more consistent policies, particularly in areas which previously straddled or fell between the two Departments, such as trade and competition policies, and standards and quality assurance. Those in commerce who formerly may have had to deal with two Departments, two sets of officials and two sets of Ministers now have clearer and simpler access to Government.

The full effect of these benefits will be felt gradually. But a great deal of progress has already been made behind the scenes. An early task for me has been to draw up a statement of Aims for the new Department. This leaflet sets out these Aims, explains the thinking behind them, and illustrates some of the means by which they will be achieved.

The central aim - 'To encourage, assist, and ensure the proper regulation of, British trade, industry and commerce: to increase the growth of world trade and the national production of wealth' - is the key to the Department's work. Only the people who work in industry and commerce can create wealth. What the Government can do is help by ensuring that the conditions are right, that the framework is right and that the tools are available to enable industry and commerce to get on with the job. This means continuing to reduce inflation and continuing the pressure to keep public spending and borrowing under control so that there is room for lower interest rates and for tax cuts. It means encouraging competition, as a vital instrument for improving efficiency and for satisfying customers' needs. It means removing burdens to enterprise, letting the market take decisions, and keeping the international trading system free and fair. It means encouraging a supply of manpower with the skills for today—and tomorrow—and facilitating access to the technology needed to keep this country in the forefront in world markets.

A published set of Aims helps me in my task of managing the Department and ordering its activities and priorities. They help us to focus on the essential, and to avoid using scarce resources on peripheral activities. They also help to ensure that people working in all parts of the Department understand how their work fits in with the overall purpose of the Department. Equally important, I hope that by publishing these Aims I shall help British industry and commerce to understand better the supportive role of the Department of Trade and Industry.



Norman Tebbit
Secretary of State for Trade and Industry



DTI Aims

1.1 A financial and fiscal climate which encourages enterprise, investment and growth and minimises Government burdens on business.

1.2 A wider understanding of the value of productive activity, enterprise and profit.

1.3 European Community and international agreements, laws and commercial relations working to the advantage of UK trade and investment.

1.4 A regulatory framework which promotes fair competition and the efficient use of resources and safeguards the interests of customers.

1.5 Standards which strengthen the international competitiveness of British trade, industry and commerce.

1.6 Reduced UK regional disparities.

2.1 Improved management and other skills throughout UK industry and commerce, targeting smaller firms in particular.

2.2 Market information and support for UK firms competing in overseas markets.

2.3 Increased efficiency in state owned enterprises through privatisation, exposure to competition, target setting and monitoring.

2.4 Inward investment and collaboration with foreign companies yielding advantages to the UK.

2.5 Measures to increase UK output, improve performance and encourage the formation of new businesses.

1 CLIMATE

2 INTERNATIONAL COMPETITIVENESS

3 INNOVATION

CENTRAL AIM

To encourage, assist, and ensure the proper regulation of, British trade, industry and commerce; to increase the growth of world trade and the national production of wealth.

3.1 Increased civil R & D in industry.

3.2 Effective exploitation of UK and foreign science and technology.

3.3 Awareness and rapid adoption of key technologies.

3.4 Levels of quality and design to highest world standards.

3.5 Closer co-operation on new products between UK producers and customers, for example through public purchasing.

DTI MANAGEMENT TASK

To use Departmental resources efficiently to pursue these aims

Why Aims?

1. DTI has the task of helping British firms to compete successfully for customers at home and abroad. It employs nearly 13,000 people and is responsible for Government spending of some £1400 million a year. Any organisation accounting for resources of this magnitude needs a clear view of its central purpose and objectives if time, effort and money are to be used to best effect.

2. The statement of its aims set out overleaf shows in a concise form the Department's main purposes. The central aim is 'to encourage, assist, and ensure the proper regulation of, British trade, industry and commerce: to increase the growth of world trade and the national production of wealth'. This will be achieved in three main ways, by promoting:

- a CLIMATE for British industry and commerce which is as conducive to enterprise and competition as that in any other industrialised country
- the INTERNATIONAL COMPETITIVENESS of British firms through increased efficiency and adaptability
- INNOVATION to improve the products, processes and services that British industry and commerce can offer to the world.

Under these three headings there is a series of subsidiary aims, as shown on the chart. The individual aims define in a relatively simple way the principal tasks required to make progress towards the achievement of the central aim.

Climate, International competitiveness, and Innovation

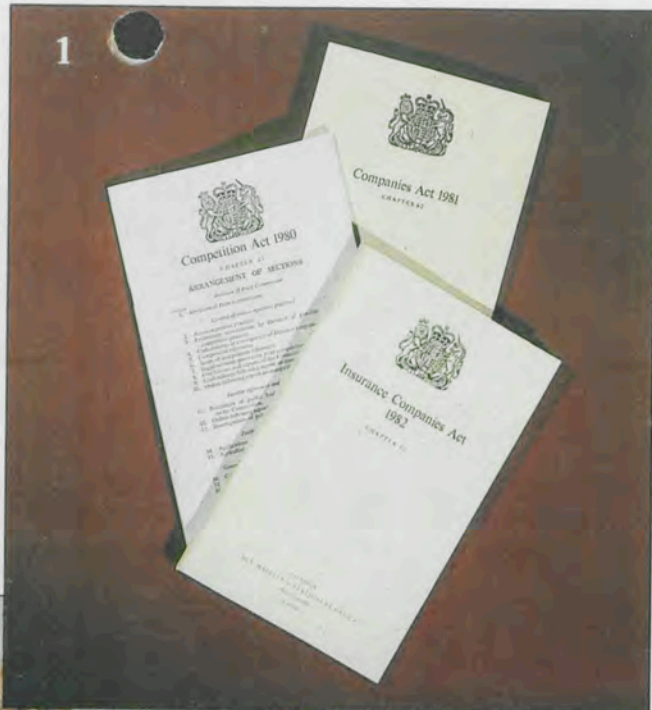
Climate

1. The right climate is vital to the achievement of our central aim. Without it, enterprising people with new ideas will be unable to create wealth and new jobs. First, business needs a stable financial and fiscal regime if it is to have confidence to innovate and invest. Inflation must be reduced and eventually eliminated and public expenditure must be strictly controlled to keep down taxes and help moderate interest rates. It means the removal of unnecessary burdens, the improvement of incentives, giving better returns for effort and enterprise, and the encouragement of financial institutions able to satisfy the needs of large and small firms alike. In this area, the DTI works closely with the Treasury and other Departments to ensure that the needs of industry and commerce are taken fully into account when the priorities for Government action are decided (Aim 1.1). The Department also works with organisations in the education field and elsewhere to make the value of productive activity more widely understood, and to emphasise that wealth must be generated before it can be used (1.2).

2. Second, business needs proper access to overseas markets. For a major trading nation, exporting nearly 30% of its output, international barriers and distortions to trade are a major threat to the generation of wealth. Removing these burdens requires constant work at Government to Government level, particularly in the face of pressures for

1. A basic framework of company and competition law is needed to enable the market to function effectively.
2. People owning, managing or thinking of setting up small businesses can get advice from DTI's Small Firms Service.
3. Export promotion. A Joint Venture with the Society of Motor Manufacturers and Traders, with 101 British companies participating in an exhibition at Geneva.
4. Under its 'Micros in Schools' Scheme, the Department provides funds to Local Education Authorities to help secondary and primary schools purchase a microcomputer.





protection arising from economic and debt problems around the world. The Department represents the UK's industrial and commercial interests in the European Community, in other international organisations, and in a wide range of bilateral relationships (1.3). This work helps companies to export successfully and underpins the Department's direct export promotion work (2.2).

3. Third, a regulatory framework is needed to enable the market to function effectively: a framework of company and competition law. The Department also has responsibilities for the consumer, and for safety legislation. The right balance has to be struck between too much regulation, which stifles enterprise, and too little regulation, which can lead to injustice, uncertainty, or erosion of competition in the market place (1.4). The Department is also concerned to strengthen the British standards system and encourage the widest possible use of standards by both buyers and sellers. A strong standards system promotes quality and customer confidence at home and overseas (1.5).

4. Finally, an effective regional policy can help ease social change and reduce disparities in employment opportunities. The 1983 White Paper on Regional Industrial Development outlines a new and more cost-effective approach, within which the Department will work, with industry, to promote new business and new jobs in the assisted areas, in both manufacturing and services (1.6).

Competitiveness

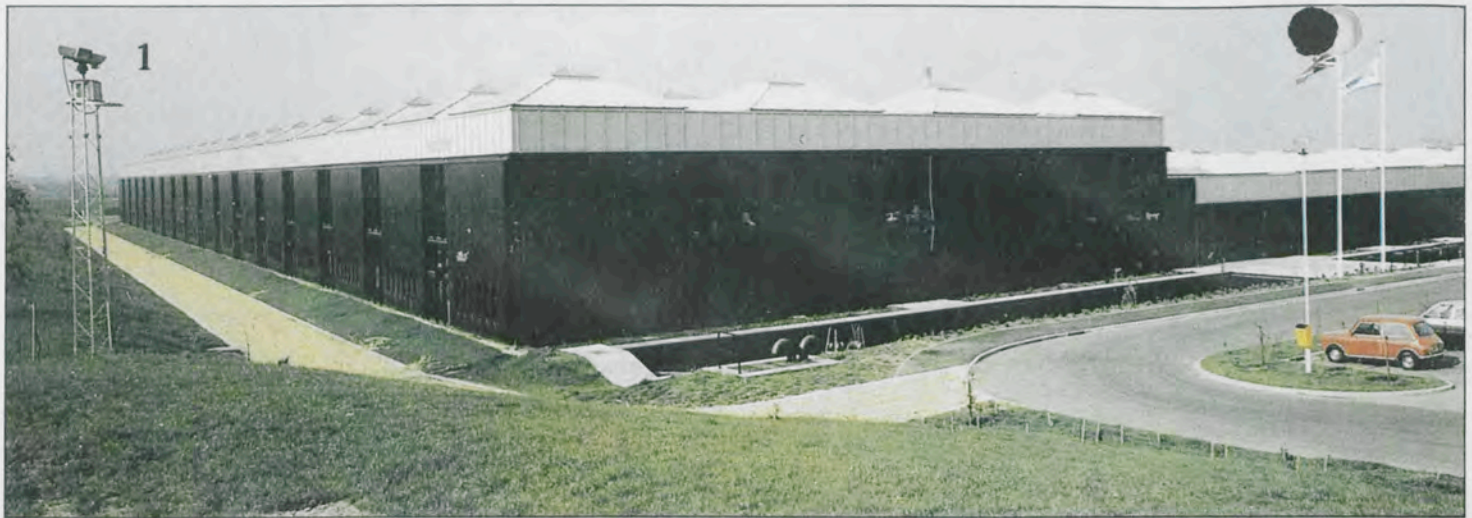
5. The Department's aims under this heading are directed to ensuring that British companies have the tools they need to meet and beat international competition, not least skilled workers of every grade. Proper skills are vital and the DTI works with other agencies to help improve training and increase the industrial and commercial relevance of education at all levels. It has a special interest in the improvement of management skills and under the Department's Small Firms Service experienced businessmen advise owners and managers of small businesses, and those thinking of starting their own businesses, on their plans and problems (2.1).

6. The British Overseas Trade Board, whose members are mainly businessmen, directs the Department's export promotion programme. Its staff in the UK and the commercial staff in embassies and consulates overseas provide advice and information to exporters and would-be exporters and practical and financial help with entry into new markets. The Department's Projects and Export Policy Division co-ordinates all forms of Government assistance for major project contracts overseas. The Exports Credits Guarantee Department provides a wide range of credit insurance and related services for exporters (2.2).

7. For those large areas of economic activity in the public sector privatisation provides a special opportunity to increase competitiveness by exposure to market forces. The liberalisation of the telecommunications market and the forthcoming privatisation of British Telecom are designed to stimulate new mass industries in communications and office services. The disciplines now imposed on state-owned firms already exposed to competition, such as BL and Rolls Royce, have led to major improvements in competitiveness and brought them closer to readiness for return to the private sector (2.3).

8. Investment in the UK by foreign-owned companies can bring many benefits, both in terms of output and jobs and





through the spreading of new management styles and attitudes, and of quality, standards and technology. The UK can offer the overseas investor EC membership, a worldwide reputation for inventiveness and intellect, and a highly developed and efficient infrastructure and services sector. The Invest in Britain Bureau co-ordinates promotional work to bring further inward investment to the UK. Recent examples include the decisions by the Finnish firm United Paper Mills to set up a pulp and newsprint mill in Clwyd and by American computer companies Digital and Hewlett Packard to establish research and development facilities in southern England (2.4).

9. The Department runs a number of other schemes designed to support increased efficiency and adaptability in British firms. For example, in conjunction with the banks we operate the Loan Guarantee Scheme to help small businesses obtain loan finance. Selective Financial Assistance is also available for major investment projects providing positive benefits for the economy (2.5).

Innovation

10. Industrial and commercial innovation is vital if Britain is to maintain and increase its share of world markets. This requires increased spending by industry and commerce on market-related research and development for civil purposes. Through the Department's Support for Innovation programme companies can receive assistance both for longer term R&D projects designed to strengthen their technological base and for development work on new and improved products and processes (3.1).

11. The UK has a good record in basic research, but the creation of wealth depends upon the profitable exploitation by industry and commerce of the fruits of this research and of science and technology developed overseas (3.2). As well as running the Patent Office, an important link in the chain from idea to commercial realisation, the Department runs four major industrial research establishments which identify, develop and transfer to industry new technologies with widespread applications. The Department is co-ordinating a major national research effort in advanced information technology (the Alvey programme). It also provides a number of information services to help companies identify scientific and technological opportunities available to them both at home and abroad.

12. The last few years have seen the emergence of major new technologies such as Microelectronics, Information Technology, Biotechnology and Advanced Manufacturing Technology which offer opportunities across a wide swathe of





1. Inward investment, Digital Equipment Corporation's major R&D centre outside the United States is at Reading.
2. The design of this four-door Range Rover won a Design Council Award. The Department promotes, and supplies firms with consultancy support on, quality and design.
3. Innovation. A trampoline accident confined Jan Burgess to a wheelchair for 14 years. A micro-computer-based system of functional electronic stimulation, developed with support from DTI, has got her walking again.
4. Innovation. Supported under DTI's Biotech Scheme, Celltech Ltd is developing more efficient ways of producing monoclonal antibodies.
5. One of the pilot office-automation projects supported by the DTI—the BBC's Electronic Newsroom System, which serves the Breakfast Time programme.

industry and commerce. Only by the acquisition of new skills and techniques will firms be able to maximise opportunities to create new wealth. The awareness and rapid adoption of these key technologies (3.3) have been promoted by the Department through special measures within the Support for Innovation programme covering awareness, training, consultancy and project support.

13. Design is a crucial element in the successful development of new products. Good design combines what customers want with what is commercially and technically possible, and concentration on better quality during the manufacturing process can also yield significant returns for companies. The Department draws the attention of managers throughout industry to the importance of design and quality (3.4). In addition, small and medium sized companies can get both free and subsidised consultancy on these subjects.

14. Firms which are successful innovators are able to link their technological expertise to a knowledge of the market. Closer co-operation between UK producers and their customers (3.5) is one way of ensuring that new products meet the needs of the market. The Department encourages public sector purchasers to give a lead in collaborating with their suppliers on their future needs. One example of this is in office automation where twenty pilot projects have been set up and are now under evaluation with many valuable lessons for suppliers and users alike.

The Aims in Management

15. The Aims form the backdrop against which the day-to-day work of the Department is conducted and progress assessed. The Department's own 'management task' is to ensure that the resources available are used as efficiently and effectively as possible in the achievement of the Aims. Each Division now draws up its own policy objectives in support of the Aims and where possible is set quantified targets against which progress can be measured. Objectives, targets and progress towards them will be reviewed each year by senior management and Ministers to ensure the Department remains on course. This will help to identify and overcome at an early stage failures to achieve intended progress, as well as activities which have served their purposes or are ineffective, so that the resources can be redeployed to other necessary tasks or simply saved.



Contact Points

Department of Trade and Industry

Head Office and British Overseas Trade Board

1 Victoria Street, London SW1H 0ET
Tel: 01-215 7877
Telex: 8811074/5

Particular topics

Small Firms Enquiries	Freefone 2444
Projects and Export Policy Division	01-215 5466
Invest in Britain Bureau	01-212 6251
Support for Innovation	01-213 5433
Patent Office	01-405 8721

Export Credits Guarantee Department

PO Box 272, Aldermanbury House, Aldermanbury, London EC2P 2EL
Tel: 01-382 7000

Regional Offices

The regional network of the Department of Trade and Industry and the British Overseas Trade Board is based on seven Regional Offices in England.

The Regional Offices represent the Department in its dealings with industry, local authorities, the Regional Offices of other government departments, and other local bodies and organisations. They are responsible for administering selective assistance to industry in assisted areas, and for other aspects of regional industrial development, and handle export promotional work.

Some parts of the Department's work are handled through specialist local offices. The Regional Offices also serve the Department of Energy.

North East

Northumberland, Tyne and Wear, Cleveland and Durham
Regional Office: Stanegate House, 2 Groat Market, Newcastle upon Tyne NE1 1YN
Tel: Newcastle upon Tyne (0632) 324722.
Telex: 53178

North West

Cheshire, Lancashire, Merseyside, Greater Manchester, High Peak District of Derbyshire and Cumbria
Regional Office: Sunley Building, Piccadilly Plaza, Manchester M1 4BA
Tel: Manchester (061) 236 2171
Telex: 667104
Sub Office for Merseyside: 1 Old Hall Street, Liverpool L3 9HJ
Tel: Liverpool (051) 236 5756

Yorkshire and Humberside

North, South and West Yorkshire and Humberside
Regional Office: Priestley House, Park Row, Leeds LS1 5LF
Tel: Leeds (0532) 443171
Telex: 557925

West Midlands

Shropshire, West Midlands Metropolitan County, Staffordshire, Warwickshire, Hereford and Worcester
Regional Office: Ladywood House, Stephenson Street, Birmingham B2 4DT
Tel: Birmingham (021) 632 4111
Telex: 337919

East Midlands

Nottingham, Derbyshire (except High Peak District), Leicestershire, Lincolnshire and Northamptonshire
Regional Office: Severns House, 20 Middle Pavement, Nottingham NG1 7DW
Tel: Nottingham (0602) 506181
Telex: 37143

South West

Cornwall (including Isles of Scilly), Devon, Somerset, Wiltshire, Gloucestershire, Avon and Dorset
Regional Office: The Pithay, Bristol BS1 2PB
Tel: Bristol (0272) 291071
Telex: 44214
South-Western Industrial Development Office
Phoenix House, Notte Street, Plymouth PL1 2HF
Tel: Plymouth (0752) 21891-5
Telex: 45494

South East

Greater London, Kent, Surrey, East Sussex, West Sussex, Hampshire, Isle of Wight, Bedfordshire, Berkshire, Buckinghamshire, Essex, Hertfordshire, Oxfordshire, Cambridgeshire, Norfolk and Suffolk
Regional Office: Charles House, 375 Kensington High Street, London W14 8QH
Tel: 01-603 2060.
Telex: 25991
Export Section: Ebury Bridge House, Ebury Bridge Road, London SW1W 8QD
Tel: 01-730 9678.
Telex: 297124/5

Scotland, Wales and Northern Ireland

The Industrial Development Division of the Industry Department for Scotland in Glasgow and the Welsh Office Industry Department (WOID) in Cardiff, in addition to exercising industrial functions which are the responsibility of the Scottish and Welsh Secretaries of State, carry out certain functions for the Department of Trade and Industry on an agency basis. They provide services for British exporters.

Scotland

Industrial Development Division of the Industry Department for Scotland
Office for the whole of Scotland: Alhambra House, 45 Waterloo Street, Glasgow G2 6AT
Tel: Glasgow (041) 248 2855. Telex: 777883.

Wales

Industry Department of the Welsh Office
Office for the whole of Wales: Welsh Office, Industry Department, Cathays Park, Cardiff CF1 3NQ
Tel: Cardiff (0222) 825111. Telex: 498228
District Office for North Wales: Government Buildings, Dinerth Road, Colwyn Bay, Clwyd LL28 4UL
Tel: Colwyn Bay (0492) 44261

Northern Ireland

Department of Economic Development, Office for the whole of Northern Ireland, Netherleigh, Massey Avenue, Belfast BT4 2JP
Tel: Belfast (0232) 63244. Telex: 747025
Export Services
Belfast (0232) 233233

Industrial Research Establishments

Laboratory of the Government Chemist
Cornwall House, Stamford Street, London SE1 9NQ
Tel: 01-928 7900

National Engineering Laboratory
East Kilbride, Glasgow G75 0QU
Tel: East Kilbride (035 52) 20222

National Physical Laboratory (including British Calibration Service)
Teddington, Middlesex TW11 0LW.
Tel: 01-977 3222

Warren Spring Laboratory
Gunnels Wood Road, Stevenage, Herts SG1 2BX
Tel: Stevenage (0438) 3388

Regional Development Grants Offices

Billingham

Regional Development Grants Office, Queensway House, West Precinct, Billingham, Cleveland TS23 2NF
Tel: Cleveland (0642) 553671. Telex: 58608
Area for which responsible: those parts of the following counties that have special development area or development area status: Cleveland, Cumbria, Durham, Humberside, Lincolnshire, Northumberland, North Yorkshire, South Yorkshire, Tyne and Wear.

Bootle

Regional Development Grants Office, St. Peter's House, Stanley Precinct, Bootle, Merseyside L20 3LZ
Tel: 051-922 4030
Telex: 627162
Area for which responsible: those parts of the following counties that have special development area or development area status: Cheshire, Greater Manchester, Lancashire, Merseyside, Corby

Cardiff

Regional Development Grants Office, 24-26 Newport Road, Cardiff CF2 1SY
Tel: Cardiff (0222) 492611
Telex: 498538
Area for which responsible: those parts of Wales, Cornwall (including the Isles of Scilly) and Devon that have special development area or development area status

Glasgow

Regional Development Grants Office, Magnet House, 59 Waterloo Street, Glasgow G2 7BT
Tel: Glasgow (041) 221 9833
Telex: 777911
Area for which responsible: those parts of Scotland that have special development area or development area status



NBP M

AT 30/17

CCND

DEPARTMENT OF HEALTH & SOCIAL SECURITY

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

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon The Viscount Whitelaw CH MC
 Lord President of the Council
 Privy Council Office
 68 Whitehall
 LONDON
 SW1A 2AT

27 July 1984

On 4 April 1984 I put to H Committee a memorandum on the NHS Rayner Scrutiny on Recruitment Advertising (H(84)14). H Committee agreed that negotiations should be pursued with the publishing interests with the intention that if substantial savings could not be achieved from them, the option of a national job register should be pursued.

A team of officials, including the author of the Report and led by the Parliamentary Under Secretary (Health), met each of the major publishers whose journals carry recruitment advertising. There was some understandable initial opposition to the prospect of a reduction in advertising revenue but the possibility of a national jobs register, which would take all recruitment advertising away from the journals, produced encouraging and positive results. All the publishing interests were frank and open about their costs and the way in which savings could be produced, providing detailed figures.

The publishers accepted that health authorities were placing too many adverts at too great a cost, using display formats simply to cancel each other out. All the major publishers agreed that they would be prepared to see a reduction in their income from health authorities' recruitment advertising and that they would not seek to recoup their losses by higher rates. They also agreed after discussion to accept advertising direct from health authorities and to pass on to the authorities the benefit of discounts of 10 - 15 per cent currently creamed off by advertising agencies. The effect of these various undertakings, which would be the subject of formal contracts, is that we believe that the savings from Option Three - economies in the use of existing journals - can be increased from the £3 million identified in the scrutiny report to £4 million. The major part of the additional savings comes from cutting out the agencies. There would also be some savings to other public sector employers, who would be covered.

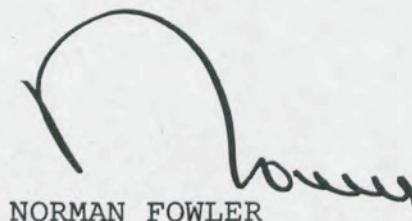
The consultation process has revealed, as expected, strong opposition from the medical, nursing and paramedical professions to the Jobs Register option. Our discussions have established that adopting the Jobs Register would put one or both major nursing publications out of business, would kill off the two therapists publications and would put Lancet subscriptions up by 50 per cent.

During the consultation period we have also reexamined the likely savings from a Jobs Register. This examination confirms that a jobs register or registers could be produced within the scrutiny report estimate of £1 million, but against this it now appears that there would be some additional costs - to health authorities in distribution and in demands on personnel departments and less tangibly in permanent loss of some trained staff who could not be reached by a register. While these additional costs cannot be readily quantifiable they certainly reduce the apparent gap between the two options.

I intend therefore to adopt the option of making savings with the existing publications (Option Three). I shall make clear to the publishers that this decision is dependant on the savings being delivered and that I shall keep open the option of introducing a jobs register at a later stage if that proves necessary. I shall also be monitoring expenditure by health authorities to ensure that they are reducing their recruitment advertising budgets accordingly.

I am copying this letter to members of H Committee and to the Prime Minister and Sir Robert Armstrong.

I would be grateful for any comments by 8 August, with a view to an announcement in the next few days.



NORMAN FOWLER

MRS RYDER

DTI Efficiency Presentation

Further developments. The meeting at 1130 on Wednesday 1 August, on the review of out of hours arrangements, is almost certain to be cancelled. Could you please check with Robin Butler, and if he confirms this replace the meeting with the DTI efficiency seminar.

I have already checked that the time is possible for the Secretary of State for Trade and Industry, Sir Robin Ibbs, and Sir Robert Armstrong. Could you please confirm with their offices, and also get Mr. Tebbit's office to invite Sir Brian Hayes and Sir Anthony Rawlinson?

Thanks

Love

☺

Confirmed for
11.30 on wed.

CR.

30/7.

26 July 1984



10 DOWNING STREET

From the Private Secretary

16 July 1984

NHS Rayner Scrutiny of Residential Accommodation

The Prime Minister was most grateful for your Secretary of State's minute of 13 July about the Rayner scrutiny of residential accommodation for staff in the NHS.

The Prime Minister was pleased to note the extensive benefits which should flow from implementation of the scrutiny's recommendations. She warmly endorses your Secretary of State's approach to these matters, and is content - subject to the views of colleagues - for him to proceed with his proposed announcement.

I am sending copies of this letter to Graham Sandiford (Northern Ireland Office), John Graham (Scottish Office), Colin Jones (Welsh Office), John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

David Barclay

Steve Godber Esq
Department of Health and Social Security.



Prime Minister⁽¹⁾

There is big money in this -
according to the scrutiny,
several hundred million pounds.

Agree to welcome this
announcement?

PRIME MINISTER

Yes

NHS RAYNER SCRUTINY OF RESIDENTIAL ACCOMMODATION

sub
13/7

Over the last few months I have been publishing the results of the first round of NHS Rayner scrutinies. Those already published - on transport, non emergency ambulance services, recruitment advertising and central stores - have demonstrated substantial scope for savings in the way the health service runs some of its back-up services. I am pursuing the implementation of those scrutinies both through central action by the Department and through health authorities. The scrutinies have provided important evidence in the public debate about the need for improved general management in the NHS.

I am now ready to publish the fifth of these scrutinies - on the provision of residential accommodation for staff in the NHS. This is potentially the most important of all the scrutinies because of the substantial sums of money involved - the NHS owns over 100,000 units of accommodation, much of which is currently vacant and still more need not be NHS-owned. It also means that we will be able to give another boost - although limited by the fact that the NHS only owns some 20,000 houses - to our strategy of spreading home ownership more widely; where accommodation is no longer needed by the NHS, tenants will be able to buy on right to buy terms.

There have been one or two stories in the press about the possible impact of the scrutiny on the position particularly of nurses, but we believe that this criticism can be successfully rebutted. The attached draft Press Notice, which I intend to issue when the Report is published on 17 July, sets out the case.

I also enclose a copy of the report and the covering letter which I will send to Chairmen of health authorities and to interested parties.

You will see from the report that the scrutineers estimated the potential income from sales as being very large, although I cannot give any precise estimate until we have settled the criterion for retaining accommodation - which I am proposing should be more restrictive than did the scrutineers - and until health authorities have worked out what they need to keep, how much it is worth, the position with sitting tenants, and how to maximise returns.

Nor do I think it is sensible to get hooked publicly on a particular figure at this stage. Our objective in the first instance is to win the argument that it is unnecessary for the health service to keep much of the accommodation which it now has and that selling it can be to the benefit rather than to the detriment of staff. We are also anxious to ensure that health authorities see the benefit which they themselves can gain from selling surplus accommodation in terms of additional finance available for investment. We intend to leave open until the autumn how the resources released should be treated because, if the income reaches the levels we hope for, it may be necessary to treat it differently from the proceeds of other sales in order to avoid particular health authorities benefiting disproportionately and in a way unrelated to their investment needs.

I am copying this to Peter Rees, Nick Edwards, George Younger and Jim Prior and to Sir Robert Armstrong.



13 July 1984

NF

DRAFT PRESS NOTICE

NEW POLICY ON NHS STAFF RESIDENTIAL ACCOMMODATION - NORMAN FOWLER

Norman Fowler, Secretary of State for Social Services, today published plans to release extra resources for the development of health services by selling unneeded houses and flats owned by the NHS.

Mr Fowler said:

"All in all the health service owns over 100,000 flats, bedsitters and houses across the country; and the fact is that too many of them are standing empty. In some Districts up to one-third can be vacant at any time. And in many other cases property is being occupied by people for whom the NHS does not need to provide accommodation. That means the health service has many millions of pounds tied up in property when it could be used to develop services, to build new hospitals and to improve the standard of the staff accommodation which is kept.

"Of course the health service must provide accommodation for some staff - especially junior doctors, nurses in training and staff working in isolated hospitals. What we need to decide is how much. I am asking health authorities and professional organisations to let me have their views by September on the criteria we should use in deciding what accommodation to keep.

"After that, I shall expect health authorities to get on with selling surplus accommodation as quickly as they can. Where it is already vacant it can be sold on the open market. But we certainly do not intend to turn people out of their homes. On the contrary, existing tenants will have the opportunity to use their "right to buy" at a discount, just as local authority tenants can.

It will probably take five years to dispose of all the surplus property we have, but I expect the result to be that many health service staff will be able to buy the homes they now live in and that many millions of pounds will be freed for use where it is really needed - in improving services to patients."

Mr Fowler's proposals were set out in a letter to health authority Chairmen, sent with copies of a Rayner study into health service residential accommodation. The study - the fifth in a series of nine studies undertaken by NHS staff - found that:

- health authorities currently provided over 112,000 units of accommodation for staff worth many millions of pounds;
- "few, if any, authorities had a considered policy on accommodation". Rather the present situation was the "result of historical accident and ad hoc decisions";
- "at any one time nearly a fifth of the total accommodation stock is unoccupied"; in individual authorities the vacancy rate ranges from 4 per cent to 33 per cent.

The report's authors concluded that there was scope for a substantial reduction in the current stock of accommodation.

Mr Fowler has proposed that in future health authorities should offer accommodation:

- to junior doctors, who work in districts for relatively short periods and who often have to be available "on call" near their hospitals;
- to other staff only where providing accommodation is necessary to recruit or retain staff. An example might be student nurses, where there was insufficient accommodation to rent available within reasonable travelling distance.

He has asked health authorities and professional and staff interests for their comments by mid-September, and expects to announce firm criteria in the autumn. Authorities would then have up to five years to sell off accommodation surplus to requirements, wherever possible by selling to existing tenants at a discount off the market value.

Note to Editors

The Rayner study is the fifth one published in the first round of NHS scrutinies. The previous reports covered transport, the non-emergency ambulance service, recruitment advertising and central stores. It was undertaken by Mr Peter Hill, Deputy Regional Personnel Officer, North West Thames Regional Health Authority (currently on secondment to the Department) and Mr Alan Fallows, lately Management Services Officer, Oxford Regional Health Authority.

Dear Chairman

NHS SCRUTINY PROGRAMME - RESIDENTIAL ACCOMMODATION FOR STAFF

I enclose a copy of the report on residential accommodation prepared under the joint oversight of Dame Betty Paterson and Sir Gordon Roberts, Chairmen of the North West Thames and Oxford Regional Health Authorities.

The report's authors estimate that the NHS has a stock of over 110,000 units of accommodation for staff, probably worth over £1 billion. They found that few health authorities had explicitly considered the level of accommodation they needed to provide in order to recruit and retain staff, and in some districts up to a third of existing accommodation was empty. Overall, they judge that a reduction in the present stock by about two thirds is practicable.

The Government is vitally concerned to ensure that Health Service resources are used efficiently and, wherever possible, are spent on services to patients and the community. We agree with the report's authors that there is scope for a considerable reduction in the present stock and propose to establish criteria against which health authorities can judge the levels of accommodation they need to provide.

The purpose of this letter is to seek your Authority's comments on the proposed criteria, which are set out in the annex to this letter. Comments should be sent to [name of official] by 14 September. (We are, of course, also consulting professional and staff interests). I hope it will be possible to announce firm criteria in the Autumn, when we have had the opportunity of taking account of comments received.

Once firm criteria are announced, I shall require authorities to reduce their current holdings to levels consistent with the new policy within five years, wherever possible by selling property to existing tenants at the appropriate discount off the current market price. (The discount to be determined under the arrangements set out in Appendix 32 of the Land Transactions Handbook). This policy will therefore provide a further opportunity of extending home ownership, which is a major aim of the Government.

Authorities will be able to retain a proportion of the proceeds of the sale of surplus property. I shall, however, require them to regard improving the standard of the remaining stock of residential accommodation, where necessary, as a first charge on proceeds.

NORMAN FOWLER

Department of Health and Social Security

NHS SCRUTINY PROGRAMME 1983

RESIDENTIAL ACCOMMODATION

Conducted on behalf of the North West Thames and Oxford Regional
Health Authorities by

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May 1984

C O N T E N T S

<u>PARAGRAPH NO.</u>		<u>PAGE NO.</u>
1	TERMS OF REFERENCE	1
2 - 4	STUDY PROGRAMME	1 & 2
5	STRUCTURE OF THE REPORT	2
6 - 12	THE CURRENT POSITION	
6	- Statutory framework and Ministerial policy	2 & 3
7	- The present stock	3
8	- Who is accommodated ?	3
9	- Authorities' policies	4
10 & 11	- How much is the stock worth ?	4
12	- What does it cost the NHS to service and maintain the stock ?	5
13 - 25	THE NEED FOR HEALTH AUTHORITIES TO PROVIDE RESIDENTIAL ACCOMMODATION	5 - 11
26 & 27	ADVANTAGES OF REDUCING THE STOCK	11 & 12
28 - 32	THE MAIN OPTIONS	12 - 14
33 - 38	RE-ACCOMMODATING STAFF WITH THE ASSISTANCE OF ORGANISATIONS OUTSIDE THE NHS	14 - 16
39 - 45	IMPROVING THE MANAGEMENT OF RETAINED ACCOMMODATION	17 - 20
46 & 47	SUMMARY OF RECOMMENDATIONS	20 - 23
48	COST OF STUDY	23
49 - 51	ACKNOWLEDGEMENTS	24
	APPENDIX I	1 - 3
	APPENDIX II	1 & 2

NATIONAL HEALTH SERVICE
RAYNER SCRUTINY
RESIDENTIAL ACCOMMODATION IN THE NHS

TERMS OF REFERENCE

1. The terms of reference approved by the Secretary of State were: "To examine the very notion of NHS residential accommodation and to look at alternative provision for staff who need to be resident for practical or training needs. To calculate the loss per resident per year to the NHS, and compare with other possible resources including housing associations and local authorities."

STUDY PROGRAMME

2. The approach has been to examine the present system of providing accommodation for staff in the Service and to consider possible alternatives which might be adopted in the future.
3. From the beginning of the study it was clear that the information available on NHS staff accommodation was sketchy. One of the main tasks was, therefore, to establish an acceptable information base from which an examination could be made of the present system of providing accommodation. A census was undertaken in the two Regions initiating the study, North West Thames and Oxford, together with a sample survey of the remaining health authorities throughout England. The examining officers discussed the details of the survey directly with the local officers involved. In all, 47 of the 192 districts in England took part in the exercise.

4. Apart from discussion with NHS managers, staff and staff interests (whose views have been reflected in this report) the study also involved consultation with representatives from a wide range of other organisations both inside and outside the NHS:

- Department of the Environment
- Property Services Agency
- Department of Health & Social Security
- Police Authorities
- Local Authorities
- Housing Corporation
- Housing Associations
- Building Societies
- University Grants Committee
- Private individuals with detailed experience in the housing and property market
- Whitley Councils
- British Medical Association
- Royal College of Nursing
- Royal College of Midwives
- English National Board for Nursing, Midwifery and Health Visiting
- NHS Retirement Fellowship

STRUCTURE OF THE REPORT

5. Our report has four main parts. First, we describe the current position. Then we identify the extent to which authorities need to provide residential accommodation. Third, we outline a strategy for moving from the present position to a more rational one. Finally, we suggest how the management of the remaining NHS residential accommodation could be improved.

THE CURRENT POSITION

6. Statutory framework and Ministerial policy. Under current legislation health authorities have the power to provide residential accommodation for staff, but the duty to do so only in respect of a small number of medical staff - rather less than 3,000 pre-registration house officers who are specifically required by the Medical Act, 1956 to be

resident. Over and above this statutory minimum, current policy, as reflected in paragraphs 173-178 of the Terms and Conditions of Service for Hospital Medical and Dental Staff, is that certain other junior doctors may be required to be resident as part of their conditions of appointment. Various DHSS circulars deal with the mechanics of administering accommodation arrangements for other categories of staff, but there is no central overall policy guidance.

7. The present stock. Our enquiries show that health authorities provide much more residential accommodation than necessary to meet the statutory requirement. We estimate that authorities have approximately 112,000 units of accommodation. These comprise more than 20,000 houses and flats and more than 70,000 residential places in bedsitter and hostel-type blocks. There is tremendous variation between districts, but on average each DHA has the capacity to provide accommodation for over 500 staff - about 10% of its work force - and manages on average 100 houses and flats and between 300 and 400 residential places.

8. Who is accommodated ?

We estimate that approximately 11,000 junior doctors (out of the total of approximately 21,000) live in health authority accommodation. The main staff group accommodated is nurses; our sample suggests that approximately 35,000 learner nurses (out of approximately 79,000) and 29,000 other nurses (out of approximately 371,000 - 155,300 part-timers, 215,700 full-timers) live in Health Service accommodation. Much smaller numbers of other staff groups are accommodated. At any one time nearly a fifth of the total accommodation stock is unoccupied; in individual authorities the vacancy rate ranges from 4% to 33%.

9. Authorities' policies. We discovered great variations both in the amount of residential accommodation DHAs provided and in the categories of staff to whom it was offered. The most striking finding was, however, that few, if any, authorities had a considered policy on accommodation. Rather, the level of the present stock and the categories of staff living in it, are in large measure the result of historical accident and ad hoc decisions.

10. How much is the stock worth ?

Health authorities have little systematic information about the value of their properties. In this situation, and without a survey of each property by a valuer, it is difficult for us to give a soundly-based national estimate. Some property probably has little or no market value - nearly a quarter is integrated within the main hospital fabric. (It may, however, have value to the NHS, by virtue of possible alternative Health Service uses). A third of the total consists of free-standing purpose-built accommodation on hospital sites. The remainder consists of off-site properties either owned, leased or rented by the NHS. Some of these are extremely valuable - we heard of one house which with planning permission was sold for approaching £600,000. On the assumption that each unit is likely to be worth at least £10,000, we estimate that the total stock must be worth in excess of £1,100,000,000. Taking a very conservative view, based on information supplied by districts themselves, there are nationally over 8,500 off-site properties which are potentially saleable. We judge these to be worth on average at least £20,000 each. As a minimum, therefore, the market value of this part of the stock would be £170,000,000.

11. Forward capital programmes suggest that £75,000,000 of further capital expenditure is scheduled during the next six years.

12. What does it cost the NHS to service and maintain the stock ?

As capital is a "free good" in the NHS, the cost of maintaining the stock is artificially low, taking little account of depreciation and no account of the cost of having at least £1,100,000,000 tied up in fixed investment. Since the abolition in 1977 of the requirement to maintain a specific account most authorities seem to have abandoned the preparation of any form of accounting for residential accommodation as a specific item. The accounts we studied had obvious limitations. There were discrepancies where global figures had been allocated; for example one DHA showed the annual heating costs of its residences to be a mere £8.36 per unit. Overall we estimate that, nationally, providing residential accommodation costs the NHS at least £65,000,000 per year in revenue alone and that the income collected from staff is of the order of £41,000,000. In effect, therefore, the NHS is subsidising each person among its 95,000 staff who live in residential accommodation to the tune of at least £5.00 per week before any account is taken of the capital investment. We are aware that under current Whitley agreements staff are required to pay increased rent charges which are being brought somewhat more in line with the economic costs. We feel it should be mentioned, however, that even these increased charges do not reflect the true cost to the Service of providing the accommodation.

THE NEED FOR HEALTH AUTHORITIES TO PROVIDE RESIDENTIAL ACCOMMODATION

13. Having discovered the extent of provision, we next discussed the question "why should the NHS provide any residential accommodation at all ?". After all, the overwhelming majority of employees in all other industries or occupations are either owner-occupiers or rent their homes privately or from a public housing authority. Providing residential accommodation is not a prime purpose of a health authority; it generates much work, and diverts scarce managerial time from other purposes. We were reinforced in our wish to find satisfactory answers

to this fundamental question by the fact that many of the staff we spoke to saw real drawbacks in living in NHS residential accommodation. First, as has been highlighted by the Nursing Mirror study, many units of accommodation are in a poor state of repair, and DHAs were often reluctant to improve them. Second, being in residential accommodation might seem an advantage at first, but in later life many staff realised that it has delayed their entry into the housing market, with the associated benefits of security and the building up of personal wealth. Third, there are problems when leaving the employment of the DHA - either to work elsewhere or on retirement. For example, nurses who retire having lived in a health authority flat for ten or twenty years suddenly find they have to make alternative arrangements, losing their home as well as their job.

14. "Operational Need". This was the main reason advanced by authorities and their senior officers for providing residential accommodation. This took various forms:

- i. it was essential for some staff to live in or near the hospital in which they worked to maintain services to patients
- ii. without providing accommodation authorities could not attract staff because:
 - (a) the hospital was remote and there was no other housing, or
 - (b) property in the area was too expensive, or

- (c) the district was generally an unattractive place in which to live and offering accommodation gave a compensating "edge" in the recruitment market, or
- (d) "short-term" staff, such as junior doctors working in the district on rota for six to twelve months, could not reasonably make any other arrangements

15. Other reasons advanced were:

- i. accommodation was needed for newly recruited staff from other areas to occupy on a short-term basis, while they looked for permanent accommodation;
- ii. junior doctors/learner nurses needed to live in residential accommodation as an integral part of their training;
- iii. accommodation was needed for very short-term visitors, such as visiting tutorial staff

We have considered all these reasons in detail.

16. Staff need to live on or near the hospital site to maintain the service to patients. The argument here is essentially in respect of junior medical and some nursing staff. It is certainly the case that many doctors are "on-call" at times when they are not undertaking planned work such as clinics, ward rounds and operating sessions. It is for individual consultants to judge what "on-call" means in particular circumstances. In some specialties it might, for example, be quite satisfactory for a doctor

to be constantly obtainable by "bleep" provided he was within, say, thirty minutes travelling time of the hospital. In other cases "on-call" might mean being physically present on the hospital site. In such cases, however, the corollary is not necessarily that the doctor concerned should live in NHS accommodation. Rather, it is that adequate "on-call" rooms should be available for whichever members of the clinical staff need to be "on-call" at any particular time. Similar arguments could be applied to support the case for the provision of "on-call" rooms for those paramedical staff who would appear to meet the same criteria as doctors and nurses insofar as the element of direct contact with patients is concerned. In view, however, of the small numbers involved, it would seem that such accommodation can easily be incorporated in the calculations relating to medical and nursing staff.

17. The hospital is too remote. It is certainly the case that some hospitals, particularly mental hospitals, are some way from major towns. We have, however, yet to find an example of a hospital which is more than ten miles from several villages and small/medium sized towns. Where the problem is lack of public transport (and this can be a real problem over much shorter distances) it is open to authorities to lay on, and charge reasonable fares for, staff transport.

18. Property is too expensive. While we accept that in certain districts the argument that property is too expensive holds some weight, in general it seems to be overplayed. Apart from some more obvious examples in inner-city areas, there are not many hospitals without average-priced property within reasonable travelling distance. If it is the case that in certain areas learner nurses' pay is too low for them to be able to afford private accommodation, or even to rent local authority accommodation, the rational response would seem to be in the area of adjustments to remuneration rather than for the NHS to provide residential accommodation.

19. Unattractive Districts. There is evidence that, particularly for staff groups in very short supply such as the professions supplementary to medicine, some districts are markedly less attractive places in which to work or live than others. The offer of residential accommodation may well help such districts. In the circumstances the "carrot" of residential accommodation is, in effect, a supplement to pay. We believe it would be more straightforward to tackle problems of mal-distribution by other means rather than by increasing the extent to which health authorities are in the essentially ancillary activity of managing residential accommodation.
20. "Short-term Staff". The need for accommodation for staff who it is known in advance will work in particular districts only for a very short period is a very real one. Some DHAs help such staff find private or local authority rented accommodation and have good long-term relationships with the local authority and landlords concerned. We believe that often this should provide a satisfactory alternative at much less cost to the authority. Where, however, it could be demonstrated that there was no accommodation to rent within a reasonable travelling distance, and no "pool" could be generated by the prospect of a regular flow of NHS tenants, an operational need for residential accommodation would exist. We would, however, expect such situations to be rare.
21. Transitional accommodation for newly recruited staff from other areas. Many other employers face this problem. Most expect (and may help) staff to find short-term rented, or hotel, accommodation until they make permanent arrangements. Authorities may pay staff moving in such circumstances a transitional allowance. It would seem preferable for this arrangement to be developed rather than to use this factor as an argument for retaining expensive residential accommodation.

2. Junior medical and nursing staff need to live in residential accommodation as an integral part of their training.
For junior doctors (mainly pre-registration and early post-registration house officers) the argument is essentially that they need to have had the experience of living at a hospital 24 hours a day, 7 days a week. This argument sits alongside the "on-call" one, for in the case of junior doctors being on-call, in their own right and covering for others as required, for much of the week, "home" and "hospital" must become largely indistinguishable. This is the very group who work in districts for a relatively short period. We conclude, therefore, that there is an operational and training need for some residential accommodation for junior medical staff, and believe it to be between the level needed to meet the present statutory requirement and the present 11,000 places occupied by medical staff.
23. For nurses, the argument is rather different. In essence the argument put to us is that having learners in residential accommodation for their first six or twelve months is an essential feature of training as it enables "discipline" and "esprit de corps" to be engendered. This is accompanied by the argument that the nurses concerned are relatively young, often living away from home for the first time, and moving to residential accommodation offers a "half-way home" between living at home and living independently in local authority or privately rented accommodation. These arguments can be seen as patronising and a statement of the inadequacy of trainers who, it could be argued, ought to be able to train their students to be responsible nurses without putting them through the experience of "living-in". We feel, however, that there is some force in these arguments and would regard it as appropriate but certainly not essential, for authorities to decide to provide residential accommodation for first year learners.
24. Short-term Visitors. We regard this as an entirely fatuous reason, with hotel accommodation providing the obvious answer for visiting lecturers.

25. Overall conclusions on need for residential accommodation.
In summary, in our judgement the "essential need" is at most for residential accommodation for:

- i. some junior doctors, perhaps 8,000
- ii. first year learner nurses, a maximum of 29,000 places (if the average length of residence were reduced to six months, this would of course reduce to 14,500 places)
- iii. exceptionally, where no local authority or private rented accommodation is available, or could be generated, for short-term staff. Possibly 2,000 units of accommodation might be needed to cover this category.

We would thus envisage a possible reduction from the present 112,000 units of accommodation to no more than 39,000 (and, depending on authorities' decisions about providing NHS accommodation for first year learner nurses, possibly considerably less). In addition, we envisage that adequate "on-call" rooms should be available for whichever members of operational staff need to be "on-call" at any particular time.

ADVANTAGES OF REDUCING THE STOCK

26. Before proposing a strategy for reducing the stock as envisaged above, we summarise the advantages and disadvantages of such a policy:

- a once-and-for all tranche of money from the proceeds of sales. This is likely to be at least £170,000,000 from the sale of off-site properties which have already been identified by districts as potentially saleable; it could

rise to as much as £750,000,000 if full advantage were taken of the development potential of certain properties and if it were possible to include all detached on-site residential accommodation in the sales programme.

- a considerable reduction in new investment on residential accommodation - perhaps reducing the proposed £75,000,000 expenditure over the next six years by three-quarters.
- a considerable reduction in the cost of managing residential accommodation, which we believe to be broadly proportional to the number of units. In the short-term this might be offset - indeed more than offset - by the need to help generate a pool of rented accommodation (discussions and setting up arrangements with local authorities, housing associations, private landlords etc).

27. By way of disadvantages, there would certainly be some loss of "flexibility" - for example to offer a "carrot" to attract staff who might otherwise go elsewhere, and some loss of convenience - being able to offer new staff or visitors short-term accommodation.

THE MAIN OPTIONS

28. If our view is accepted that the "essential need" for residential accommodation is well below the present stock, two issues arise:

- i. should authorities be required to reduce their holdings to such as would meet "essential need" as described in paragraph 25, i-iii above or should districts continue to use their discretion to provide accommodation over and above "essential need" ?

- ii. what strategy should be pursued to ensure either that authorities reduce their stock to "essential need" level or positively review their stock so that it is at a consciously chosen level ?
29. Our view is that the reasons for holding residential accommodation over and above that required to meet "essential need" take insufficient account of current circumstances in the Service, and that the benefits of disposing of such property are very tangible. Further, given the uneven pattern of demand for residential accommodation at present, and the apparent lack of a common approach to accommodation strategy, we expect that some authorities would not make rapid progress towards a lower level of accommodation holding. We therefore feel that authorities should be required to reduce their holdings to the "essential need" level as quickly as practicable, and to hold it at that level.
30. As to implementation, given our preference for a national policy initiative, we believe that the right approach would be for the Secretary of State in consultation with the Regional Chairmen to require authorities to determine local requirements taking into account the definition of "essential need" as outlined in paragraph 25. This should be followed by an action plan for the disposal of accommodation surplus to those requirements, incorporating alternative arrangements to encourage staff to take up accommodation outside the NHS, as discussed in subsequent paragraphs.
31. We suggest therefore that, as a first step, all health authorities should be required to analyse their current stock of residential accommodation (a specimen questionnaire is attached as Appendix I). The next step would be for them to assess their operational need on the criteria in paragraph 25. The third step would be to produce an action plan for the reduction of stock to the requisite level. In

Appendix II we outline a scheme which authorities could adopt without legal difficulty. We believe that this approach, together with the arrangements for the re-accommodation of staff in the "low priority need" categories, will achieve a large proportion of the required reduction within five years with minimal disturbance to staff. Such a policy could involve offering some accommodation to existing tenants at, we suggest, the same sort of preferential rate at which council houses are sold.

32. We are, of course, aware of the comments contained in the Ceri Davies report with regard to the proceeds arising from the disposal of surplus property. In general, we favour giving authorities a direct incentive to maximise proceeds from the sale of their properties. We also agree with the view that there are circumstances when it would not be right for authorities to retain all these proceeds. For example, this could unfairly reward those with, by historical accident, a large stock and take no account of the relative health needs of districts. In addition, the suggestions noted below give rise to the need to consider the redistribution of some of these funds. We suggest that authorities be allowed to retain at least 50%. Some of the remainder should go towards a pump-priming exercise to encourage local authority and Housing Corporation initiatives as indicated below. The remaining funds would be the subject of some sort of pooling and distribution system to be worked out by RHAs.

RE-ACCOMMODATING STAFF WITH THE ASSISTANCE OF ORGANISATIONS
OUTSIDE THE NHS

33. There appears to be much scope for re-accommodating "non-essential" staff by such means as the expansion of programmes of collaboration with such interests as local authorities, housing associations, development corporations and possibly private developers.
34. It seems to us that this sort of activity might well be accelerated to the benefit of all parties by an appropriate transfer of resource from the Health Service into the pro-

vision of housing to meet the particular needs of the Health Service. Through a very simple system of percentage-based nominations similar to the Local Authority National Mobility Scheme, some of the problems of long-term under-used property might be avoided. Indeed, a start in the right direction has been made with the introduction of the DHSS circular on Care in the Community. The problem would still appear to be the provision of financial support to the very worthy proposals contained in the circular. It would seem, therefore, that to encourage this type of development, it would be desirable for central government to make NHS monies available to local authorities. One way of obtaining at least part of the funds required could be to earmark some of the money obtained by the sale of excess or under-used properties. One further possibility is that local authorities could undertake responsibility for the provision of on-going management of NHS residential property or, in fact, utilize housing associations to carry out this task.

35. This takes us on to the consideration of the possibility of the direct involvement of housing associations in these arrangements. A possibility here is that money could be made available from central government to the Housing Corporation which would be in addition to existing allocations granted to the Corporation, exclusively for the provision of NHS residential properties. Once the "NHS money" is directed into the Housing Corporation allocation system there would appear to be no reason why the provision of such new accommodation could not be carried out as in housing association new build development, utilizing the criteria and procedures already in existence as laid down in the Housing Corporation scheme work procedure guide. Such accommodation provided in this way would be the subject of a housing association grant and would, therefore, be let on a fair rent basis to those individuals who were responsible for their own housing costs. One major advantage would be that the NHS already possesses land on which some of this can be done.

36. Obviously, it would be impossible to get such an approach off the ground at individual district level unless agreement in principle has previously been reached at national level. It would seem sensible for the appropriate Government Departments to consider the transfer of resources from the National Health Service to local authorities and to the Housing Corporation to enable these authorities to assist in meeting some of the accommodation needs of Health Service staff. Negotiations could then take place nationally between representatives of the Housing Corporation and associated housing associations, local authorities and the NHS, to:

(a) agree a formal pattern of working at regional/district level

(b) agree an initial programme of experimentation by health authorities in joint venture schemes

37. It may be appropriate to co-ordinate such development under the aegis of the National Property Advisory Group, whose creation is recommended by the Ceri Davies report.

38. The building society industry could also become a useful partner in the disposal of NHS properties and land. It has been suggested that an appropriate approach might be made to the Chairman of the Building Societies Association, to seek specific ways in which societies could help. We have every reason to believe that this would be a most fruitful avenue to explore. The aim would be to achieve central strategic support for subsequent negotiations between district health authorities and building society regional offices. To support this approach we cite the example of the Abbey Housing Association, sponsored by the Abbey National Building Society, whose objective is to provide low cost housing for sale on a non-profit basis, by developing land surplus to requirements or possibly refurbishing older units.

IMPROVING THE MANAGEMENT OF RETAINED ACCOMMODATION

39. There is considerable variation in the way NHS accommodation is managed. Different functions and disciplines - general administration, personnel, finance, works, nursing - all contribute to the administrative effort but in no consistent pattern. Management of the property is often delegated to managerial units, thus reducing further the number of properties looked after by each manager. Such small holdings are not likely to be conducive to efficient management.
40. It became clear at the outset that there was a dearth of management and financial information to enable managers to control the accommodation resource effectively. There is very little evidence to show that residential accommodation is thought out as part of an overall policy; rather, it is left to fairly low levels of management in the structure to exploit what is largely an inherited resource. There is an urgent need for reappraisal of the existing management and financial arrangements - the reporting processes in particular.
41. With regard to the management of the operational situation, it is hoped that two major factors would be very much to the fore:
- i. the need for senior officers at district to be involved in the monitoring of the process in such a way as to ensure that there are firm links between the strategic and operational aspects of the problem
 - ii. the need for a more commercial approach to financial management

42. Management arrangements vary enormously. In some cases, management is centralised at district level, in others it is a unit responsibility. A few districts employ a specialist housing manager with accommodation as his/her central responsibility with in our view significant benefits. Managers who are not specialists often seem to give a fairly low priority to accommodation as compared with work more directly in support of patient services.
43. The evidence from the survey, therefore, would lead towards a preference for a structure based on the appointment of a specialist housing manager rather than one which involves fragmented responsibility. Although much will depend on management style and geography at district, the key element is the existence of a clear pattern of managerial accountability to the District Management Team.
44. Whatever pattern of management is adopted, there will be a need for authorities to operate within a framework which obliges them to compare the benefits and costs of providing accommodation. Such a framework should:
- i. encourage a frequent review of their aims in providing accommodation as circumstances change
 - ii. lead to the search for more cost effective ways of achieving these aims
 - iii. ensure that in providing accommodation they manage this efficiently so as to minimise the cost to the NHS in the long run

45. We do not believe that the present situation comes anywhere near this ideal. We set out below some suggestions for improvement arising from our analysis of the issue:

Memorandum Trading Accounts

We considered the possibility of using Memorandum Trading Accounts for residential property to reveal the extent of the implicit subsidies. The investigation of "unreasonable" subsidies could then be the responsibility of audit or might feature as an issue in regional reviews.

The Association of Health Service Treasurers has set up a working group to produce some common rules for allocating expenditure that is not directly charged to residences. We understand that they are also considering the reintroduction of a form of Memorandum Trading Accounts - a development which we strongly support.

Performance Indicators

We refer above to the need for more adequate reporting mechanisms to senior management. Although changes to the financial framework will do much to improve the situation, we also feel that authorities should become aware of the way their existing stock of staff accommodation is used and how it meets the purposes for which it is held. A basic requirement here is a set of tools for monitoring performance. We suggest the following additional information is or could be readily available and would be useful to local management:

- i. occupancy rates of each property
- ii. percentage of resident staff by staff group
- iii. percentage of staff in residence for over one year/two years/five years
- iv. percentage of rents abated due to condition of property; percentage abated for other reasons

Such basic information can also be made available to regions and through them to the DHSS enabling a wide range of comparisons to be made between districts by the districts, by regions and by the Department. This should aid each level in judging the policies it pursues in relation to residential accommodation.

Periodic Reviews of the Stock

From our enquiries it appears that current reviews of accommodation stock are irregular and far from universal and where they do take place amply repay the effort they entail. We recommend, therefore, that whether or not the wide ranging changes discussed in this report are implemented, authorities should be encouraged to undertake periodic reviews, paying particular attention to any changes in market value and site development potential. We believe the maximum interval between such reviews should be five years.

SUMMARY OF RECOMMENDATIONS

46. The summary of recommendations which follows is divided into three groups - recommendations which require initiative at national level, those which call for action by regions, and those which require action by districts.

47. These are aimed principally at reducing the NHS involvement in the provision of staff accommodation by suggesting a more realistic approach to the definition of need, establishing alternative arrangements for staff with a lower-priority operational call on accommodation, and putting forward improvements to the general arrangements for the management of the resource.

Action at National Level

1. The Secretary of State, in consultation with the Regional Chairmen, should:
 - (a) promulgate a definition of essential need as described in paragraph 25 i-iii of the report
 - (b) require all health authorities to analyse their current stock of residential accommodation using a form such as that at Appendix I and to give their assessment of operational need using the criteria in paragraph 25
 - (c) require all health authorities to dispose of accommodation surplus to their operational needs, on the lines described in paragraphs 30-38 and in Appendix II of the report
2. The Secretary of State should arrange for the appropriate government departments to consider the possible transfer of resources from the National Health Service to local authorities and to the Housing Corporation to enable these authorities to assist in meeting some of the low-priority accommodation needs of Health Service staff. This action will be needed in order to facilitate the arrangements described above which are aimed at encouraging staff to transfer from in-house accommodation.

3. Negotiations should take place nationally between the representatives of the Housing Corporation and associated housing associations, local authorities and the NHS, to:
 - (a) agree a formal pattern of working at regional/district level
 - (b) agree an initial programme of experimentation by health authorities in joint venture schemes
4. The Secretary of State should also initiate national discussions with representatives of the building society industry to seek ways in which societies can help in dealing with the situation, particularly with regard to the disposal of NHS properties and land, and in the provision of low-cost housing for sale or rent on a non-profit basis.
5. Pending the outcome of these national negotiations, it would seem sensible for Whitley Councils and any bodies set up to succeed them to consider deferring further discussion on any agreements involving staff accommodation.

Action by Regions

6. Each region should agree with its districts a regional programme to facilitate the developments projected in this report.
7. Each region should monitor progress through the Regional Review process.
8. Each region should ensure that a periodic review of accommodation stock is incorporated in its strategic plan.

9. In the light of the findings of this review, each region should appraise any proposed programme of capital expenditure involving staff accommodation.

Action by Districts

10. Each district should urgently review its management procedures in order to:

- (a) establish a clear pattern of managerial accountability and financial reporting to the District Management Team
- (b) establish an appropriate procedure for monitoring the utilization and management of accommodation using the performance indicators mentioned in paragraph 45 in the main report.
- (c) initiate, in conjunction with the region, a system of periodic reviews of accommodation stock with particular reference to any variation in market value and site development potential

COST OF STUDY

48. <u>Staff Costs</u>	£	£
Scrutineers	11,646	
Support Services	197	
Secretarial Support	2,043	13,886
 <u>Non-Staff Costs</u>		
Travelling & Subsistence	2,950	
Miscellaneous	200	3,150
TOTAL COST		17,036

ACKNOWLEDGEMENTS

49. We would like to thank the officers of the health authorities who have helped us in the survey by completing the questionnaire. We are particularly indebted to those authorities which we visited and who provided most useful back-up information based on first hand experience.
50. We are also grateful to our colleagues in the Northampton, Aylesbury and Victoria Health Districts, who together with finance colleagues in the North West Thames RHA and Milton Keynes District, and Management Services colleagues in the Oxford RHA, played a useful and formative part in the development of the fact finding part of the survey.
51. We would also like to thank the officials of the various authorities and organisations mentioned in paragraph 4, page 2, of the report. We found the visits instructive and enlightening. A wide range of information showing how their structures operated was readily made available and this stimulated most productive discussions. Their willingness to submit written evidence encouraged us to incorporate their positive contributions into the report.

RAYNER SCRUTINY
NHS STAFF ACCOMMODATION

Notes on completion of the questionnaire

INTRODUCTION

The questionnaire consists of a list of units of accommodation and a summary sheet.

Notes on Questionnaire

When completing the list of accommodation units it would be helpful if the three main categories of buildings, Houses, Flats, and Other, are listed in separate groups.

DATE OF SURVEY

Any convenient recent data may be chosen. The results should represent a "snapshot" rather than an average over a period.

DESCRIPTION/NAME OF BUILDING

Each residence should be listed separately. A nurses home will occupy one line, a block of 6 flats will occupy six lines.

TYPE OF ACCOMMODATION

Please complete according to current use. A family house occupied by a single resident should be classed as "SINGLE". If a building contains both single and married staff please enter the numbers in each column.

STAFF UNITS

- TOTAL: The maximum number of staff who would be accommodated if fully let.
- LET/UNLET: These should add up to TOTAL. Please enter a comment in the "notes" column if there are any special circumstances, for example, a building which is unoccupied while re-decoration takes place.

CATEGORY

- FLAT: A self-contained residence which forms part of a building.
- HOUSE: A building which was originally designed as a house even though it may be adapted for bedsitter use.
- OTHER: Any building which does not fall into the above categories, for example, nurses home, converted ward, mobile home, etc.

LOCATION

- NHS INTEGRATED: Where a unit of accommodation is owned by the NHS and is integrated into buildings used for non-residential purposes, e.g. a flat in the main hospital building.
- NHS FREE-STANDING: Where a building is owned by the NHS and is used solely for residential purposes, e.g. a nurses home.

NON-NHS: Where a unit is not owned by the NHS.
If trustee-owned please enter a comment
in the "notes" column.

OFFSITE AND This refers to those properties which
SALEABLE: could be considered of "commercial"
value on the property market.

TYPE OF OCCUPANCY

The figures should add up to the sum shown in the "Staff
Units LET" column.

RESIDENTIAL CATEGORY

The figures should add up to the sum shown in the "Staff Units
LET" column.

The categories are as shown in Advance Letter (NM)2/81 and
Building Note 24, i.e:

- Scale A - Bedsitting room with 4-6 sharing common
 facilities.
- Scale B - Bedsitting room with 3-4 sharing common
 facilities.
- Scale C - 1-bedroom and living room each, with 2
 sharing common facilities.
- Scale D - 1-bedroom self-contained flat.
- Scale E - Self-contained 4-room flat.
- Scale F - Self-contained 2-bedroom flat.

RAYNER SCRUTINY
NHS STAFF ACCOMMODATION
QUESTIONNAIRE SUMMARY SHEET

1. Staff Units

CATEGORY	NHS INTEGRATED	NHS FREE-STANDING	NON-NHS	OFF-SITE & SALEABLE	TOTAL
HOUSES					
FLATS					
OTHER					
TOTAL					

2. Vacancy Rate: Units unlet at:

CATEGORY	NHS INTEGRATED	NHS FREE-STANDING	NON-NHS	OFF-SITE & SALEABLE	TOTAL
HOUSES					
FLATS					
OTHER					
TOTAL					

In case of difficulty please see "Notes on completion of the questionnaire".

OUTLINE OF A SCHEME FOR AUTHORITIES TO REDUCE
THEIR EXISTING STOCK OF RESIDENTIAL ACCOMMODATION

1. Once the DHA has assessed how many units of accommodation it needs to retain on the criteria of essential need (paragraph 25 i-iii of main report) it will need to consider which units to retain as its "bank" and which are "disposable". The presumption should be that the "bank" should consist, first, of units integral to hospital fabric; where these are insufficient the "bank" should then include free-standing units on hospital sites and only where both categories together are insufficient should it include units off-site.

2. The DHA should aim, within three years, to ensure that:
 - i "bank" units are only occupied by "essential need" staff

 - ii. "essential need" staff only occupy "bank" units

3. Ensuring that "bank" units are only occupied by "essential need" staff. The DHA should identify staff apparently occupying "bank" units who do not come within the "essential need" categories. Any not expected to vacate their accommodation during the next three years in the normal course of events should be advised to make alternative arrangements within that period as the accommodation will be needed for "essential need" staff.

4. Ensuring that "essential need" staff all occupy "bank" units. This should be relatively easy, as all "essential need" staff are, by their nature, accommodated for relatively short periods. The DHA needs to ensure that new "essential need" staff are offered "bank" units (rather than "disposable" units) as such units are vacated. Given the speed of turn-over of such staff it should be possible to ensure that all are accommodated in "bank" units at the end of three years without asking anyone to transfer from a "disposable" unit.
5. The sale of "disposable" units. Authorities can begin to sell off such accommodation virtually immediately by disposing of any empty properties. By adopting a policy of only offering new "essential need" staff "bank" accommodation, by not offering accommodation to other staff, and by selling "disposable" units as they fall vacant the stock can gradually be reduced.
6. Where "disposable" units are occupied by permanent staff not expected to vacate the accommodation within three years in the normal course of events, the DHA should first offer the property to the tenant on the same sort of preferential terms as council houses are sold to sitting tenants.

NB: An integral part of these arrangements will be the development of programmes of collaboration with housing associations/local authorities etc, as described in the main report.

10 July 1984

c Mr Ingham

MR TURNBULL

*nbpm
Dubs
16/7*

*BF with X
AT 12/2*

NHS ACCOMMODATION

X) attached.

Mr Fowler's office should be writing to you this week to say he wants to publish a Rayner Report on NHS accommodation. This is a good opportunity to thank Mr Fowler and also to put over a positive message to the public.

The Rayner Report shows that the NHS has over 110,000 units of staff accommodation, and 20 per cent are vacant at any one time. One-third of the units are needed by people like on-call junior hospital doctors with a genuine need. The remainder are occupied by less deserving cases, including even NHS administrators living in houses off site. So the new policy outlined in the consultative paper is to apply clear criteria of need and to sell off the surplus accommodation - possibly 70,000 units - over the next 4-5 years.

At a conservative estimate of £10,000 per unit, this means savings of up to about £0.75 billion over a 5-year period. There may be press criticism that nurses are being thrown out to fend for themselves against Rachmans and rapists. But we can get over four positive points:

- B.R.
- i. Deserving cases will not lose out. Mr Fowler proposes to keep accommodation for junior doctors, student nurses etc. And anyway, over 20 per cent of units are vacant.
 - ii. The savings of up to £0.75 billion will release extra resources: some can be used for health care aimed directly at the patient.
 - iii. Existing tenants will be given priority, so furthering of the Government's aim of extending home-ownership.
 - iv. This is a good example of the success of the Rayner scrutinies. The report is in refreshing blunt prose, not boring officialese.

So the message is that improved health care and tough cost-effectiveness can go together.

David Willetts

DAVID WILLETTS

MASTER

file

8AH



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

Efficiency Seminars: Home Office

The Prime Minister held a meeting with the Home Secretary and Sir Brian Cubbon this morning about value for money in the Home Office. The Secretary of State for Trade and Industry (whose discussions with the Prime Minister about value for money in his Department were unfinished and which I shall be recording after a further meeting has been arranged) was present, accompanied by Sir Brian Hayes and Sir Anthony Rawlinson. Sir Robin Ibbs, you and I were also present.

The Prime Minister said that she was interested in what was actually happening and not in management jargon, and in quantified objectives rather than general aims.

The Home Secretary said that his approach in the Home Office was to pursue efficiency and value for money across the board and to judge the results by actual achievements. Central to his approach was a six monthly strategy exercise which established broad policy aims, specific objectives assigned to named individuals with target dates for their achievement, and outstanding issues to be pursued again by named individuals. The strategy exercise was supported by an annual performance review on Minis lines, in which performance of the whole Department, division by division, was measured against expenditure.

On the police, costing £2.8 billion out of total Home

/Office

dg

Office expenditure of £4.5 billion, the message had been conveyed to chief constables that their target was to secure improved effectiveness from their increased resources and that they were expected to establish clear objectives which would be monitored by inspectors. A cash limit was being applied to the Metropolitan Police and 1,000 Metropolitan Police, and over 500 in West Yorkshire, Greater Manchester and Lancashire had been redeployed to operational jobs. (In reply to a question from the Prime Minister, Sir Brian Cubbon said that only about one fifth of this transfer was attributable to replacement by civilians.) There had been a 20 per cent reduction in manpower used for policing demonstrations and the Home Office was refusing to approve increases in police establishments if the work could be done more cheaply by civilians. Sir Robin Ibbes asked whether specific targets had been given to the police authorities.

The Home Secretary said that the constitutional independence of police authorities had to be taken into account, but it should be possible to make progress towards quantified objectives when inspectors had established what had been achieved in the best authorities. In reply to a question from the Prime Minister, the Home Secretary said that it should be possible to report further progress on this matter in six months or so.

On the prison service, the Home Secretary said that the aim was to achieve a better return on the investment programme. Savings of 7 per cent in energy had also been achieved and over-consumption of supplies was expected to be reduced by 10 per cent in the long term.

A publicly announced target of ending reliance on police cells to cope with prison overcrowding had been achieved last year and no new tasks were being created in prison establishments unless unavoidable or offset by savings: there was a target of reducing overtime in the

current financial year from 16½ average weekly hours to 15.

On the fire service, the Home Secretary said that the expenditure and manpower control over the joint boards, which was being introduced by current legislation, would provide a direct lever for enforcing greater efficiency over half the country and an indirect lever as regards the rest. The Fire Inspectorate was being directed towards improvements in efficiency and the Audit Commission was also being brought in. As a result, saving targets over the next five years would be set.

On the probation service, the Home Secretary said that all area services have been asked to review their objectives and priorities on the basis of a national statement issued in May: the Probation Inspectorate would assess the results. Guidance on action to secure more efficient enforcement of fines have been issued to the Magistrates Courts, and guidance on action to reduce waiting times would be issued during the summer. In the Immigration and Nationality Department improvements in management and control promised a 22 per cent improvement in productivity this year: fees have been cut without cost to the taxpayer. Despite a saving in posts, delays in writing statements on immigration appeals have been reduced from 11 to 3 months, and the aim was to reduce this further to 3 weeks.

On central administrative costs, the Home Secretary said that there was an agreed plan to rationalise accommodation in Central London, offering savings of about £400,000 and the possibility of a further £200,000; some 230 posts have been saved or were in prospect as a result of staffing reviews last year; and £1.6 million a year had been saved by contracting out domestic work at training establishments; other reviews had produced prospective improvements worth about £1 million; and he was looking for a 1 per cent reduction this year in non-accommodation

running costs and 5 per cent next year. The Prime Minister asked about the size of the central administration in the Home Office dealing with the prison service and expressed the hope that further savings could be made in this, for example by contracting out architectural and design work.

Summing up the discussion, the Prime Minister said that she was grateful to the Home Secretary for the account he had given of work being done in the Home Office to achieve greater value for money. She invited Sir Robin Ibbs to be in touch with Sir Brian Cubbon about giving further quantification to specific aims for improvements in efficiency in those areas where quantified targets had not yet been adopted.

I am copying this minute to Hugh Taylor (Home Office), Sir Brian Cubbon, Sir Robin Ibbs, John Gieve (Chief Secretary's Office) and Mary Brown (Lord Gowrie's Office).

F.R.B.

10 July 1984

210



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Sir Anthony Rawlinson KCB
Joint Permanent Secretary

F E R Butler Esq
10 Downing Street
London
SW1

10 July 1984

Dear Robin

----- As promised I send you herewith a copy of ~~that~~ part of the speaking note used this morning by my Secretary of State, as far as he went. I did not note precisely how far he got. I think that this bit probably has a few lines beyond what he said, but no matter.

The rest I think we had better keep for next time! He may want to alter it.

James
Anthony Rawlinson

ANTHONY RAWLINSON



SPEAKING NOTE

MEETING WITH PRIME MINISTER ON 10 JULY TO DISCUSS VALUE FOR MONEY IN GOVERNMENT

I wrote last week to Robin Ibbs setting out at inordinate length the mechanisms and the formal systems being put in place in the DTI to improve efficiency and effectiveness. I don't want to go over all this, not least because I do not look to these systems as providing the answer. Things will happen only if we make them happen, and what I want to describe today is the way in which I am trying to make things happen within my Department on a practical level.

I want to cover, very briefly, four subjects:

- objectives and work programmes;
- FMI-related work;
- programme expenditure;
- administrative expenditure.

Aims and Programmes

When I came to DTI, found a document on general aims. Useful start to give coherence to merged Department, but very general. Amplified and developed that for public purposes. But not enough to give clear sense of purpose to officials throughout Department. I am clear a much more pointed, detailed, action programme is needed, to translate general



aims into specific plans: so I have introduced specific work programmes for each Division, for next 12 months. For example, T Division. Not all so clear; I am working on those which are indeterminate. One Division had only one target for the first 6 months and that was not achieved. Basic approach is 6 month review of progress, to tick off targets met; and to find out why targets missed, and what to be done - particularly moving right people to right jobs. Central tool to exert Ministerial control. Want to see this fed all the way down the Department: not just for Under Secretaries, but to guide Assistant Secretaries, Principals, EOs. CTP

FMI

Two principles to be made to work:

- delegation
- audit

On delegation, we now have over half DTI staff in responsibility cost centres, where management has:

- own budgetary responsibilities, with power to vary numbers and grades.
- consequent local management responsibility to improve efficiency, on which they will be judged;

| 2,500 staff trained on FMI by September 1984

Clear savings already coming through:

- £200,000 pa from BSO and YHRO
- 10% from travel and subsistence.



[These represent of course a very small proportion of total running costs £1m on £265m or 0.4%].

Aim to extend to central divisions in Department.

Vital to make line management accept responsibility for costs of their operations.

The job of Audit is to find out if they are carrying out their responsibilities in the way they should. Audit needs good information systems; effective training; clear reviews.

- need for trained and motivated personnel with good management backing. people with the right skills are scarce in the Civil Service and we have brought in practitioners from Thompson McLintock to strengthen our own Audit unit while our own staff are being trained
- Management Information System
- Rayner scrutinies have reviewed areas covering nearly 50% of the Department's current manpower; and 47% of its programme spend in 1983/84.

Programme Expenditure

Determined that programme expenditure should be looked at as tightly as administrative spend. DTI expenditure overall fell by 29% in real terms in 5 years to 1983/84. Within total, big changes in emphasis, from spend on NIs to selective assistance; and to support for innovation in particular.



- concentration on selective regional assistance, to save £150-200m pa, but, because selective, requires extra staff;
- in all industrial assistance, emphasis on "additionality";
- on support for innovation work, we have recently reduced the maximum level of grant (from 33 $\frac{1}{3}$ % to 25%, 20% for capital investment). We have also placed greater emphasis on negotiation of assistance levels in the larger cases (project costs above £500,000). We have also instituted improved post-completion monitoring;
- we have cut out forms of assistance which were too costly, offered relatively poor value for money, or were otherwise low in our order of priorities. Examples are, in all but exceptional cases, the preproduction order scheme and shared cost contracts. I am also closing the Innovation Linked Investment Scheme. This yields savings of £19m in the PES period;
- emphasis on making DTI's schemes more effective because better understood, with less overlap. Hence repackaging of our schemes into a more simple format. Difficult to make a big splash about this at the same time as cutting down our expenditure, but I intend to bring all the DTI schemes together under 4 headings;



- i) business and technical advisory service;
- ii) support for innovation;
- iii) support for national and regional investment;
- iv) British Overseas Trade Board aid for exports.

This includes, but goes well beyond, the similar repackaging of small firms schemes. Will not announce this repackaging until everything is in place, but expect to have all the necessary preparations done before the end of the year.

110 JUL 1964

110 JUL 1964

HOME SECRETARY'S REMARKS ON "VALUE FOR MONEY IN GOVERNMENT" FOR
PRESENTATION AT PRIME MINISTER'S SEMINAR ON 10.7.1984

I am glad of this opportunity to say what we are doing in the Home Office about value for money.

Two principles have governed our present approach. First, the need for value for money, and increased efficiency, should extend right across the board of our activities. It includes policy formulation, crisis management, central running costs, and our local authority services. No-one is exempt from the changes of attitude that are required.

The second governing principle is that what matters is results and actual achievements. The framework of cash limits, and improved accounting systems, provide valuable "top-down" pressure which squeezes out inefficiency. This is an essential ingredient, and we are continuing to develop better FMI systems and information systems for this purpose. But they must be given a cutting edge by the use of observable targets, clear and short timescales, and the assignment of personal responsibility.

Central to my control of the Home Office, and to the implementation of these themes, is the strategy exercise which I conduct with Ministers and senior officials every six months. This establishes broad policy aims; specific objectives for named individuals, with target dates for their achievement; and outstanding issues to be followed up, again by named officials. In the last such exercise over 150 specific objectives were set.

The strategy exercise is supported by our Annual Performance Review - or APR. This is the "MINIS-type exercise" by which the Department reviews, Division by Division, the whole range of its activities against the expenditure incurred; ensures that the objectives and timetables being set are in line with the strategy; and monitors performance.

I turn now to examples of our achievements, past and planned, with particular reference to the targets laid down.

The police service will account, next year, for £2.8 billion out of total expenditure on Home Office services of £4.5 billion. Getting a more effective police service is value for money par excellence; the public are passionately interested in it; and the sums of money involved are very large.

- (1) We have got the message home to Chief Constables that their target is to secure improved effectiveness from the considerably increased resources now at their disposal - we have seen, in recent weeks, that they are far better able to deal with public disorder as a result of the extra training and equipment that has been provided;
- (11) we have told Chief Constables - and this has been quite a shock to the system - that we expect them to establish clear objectives for their forces' activities, which will be monitored by HM Inspectors;

- (111) Sir Kenneth Newman has taken a lead in this, and I review his objectives with him;
- (iv) I have decided to extend the discipline of a cash limit to Metropolitan Police expenditure to reinforce the improved controls which have been introduced;
- (v) our monitoring shows that many more police officers are now redeployed to operational duties, for example nearly 1,000 in the Metropolitan Police last year, and over 500 in West Yorkshire, Greater Manchester and Lancashire;
- (vi) last year Sir Kenneth Newman achieved - in effect - a 20 per cent reduction in manpower for the policing of demonstrations;
- (vii) we have told police authorities and Chief Constables that we will not approve increases in police establishments if any police officers are doing work which could be done - more cheaply - by civilians;
- (viii) in the Metropolitan Police we agreed last year to an increase in civilians, only on the understanding that they were used to release 150 police officers for operational duties; and
- (ix) I am expecting police authorities to pay for additional civilians next year by holding some police vacancies if necessary.

Our prisons programme will cost £640 million next year.

- (1) A major target is the delivery, in a highly complex setting, of a substantially increased prison building programme. Here we are aiming to secure a better return on our investment through adopting a method of contracting which brings new buildings on stream more quickly;
- (11) we have also achieved significant energy savings, equivalent to a 7 per cent reduction overall - worth £1.8 million this year;
- (111) we are aiming to reduce over-consumption of supplies at prisons by an estimated £1 million or ten per cent in the long term, and by £120,000 this year. By rationalising stores, we hope to achieve savings of about £3/4 million a year, which is five per cent;
- (iv) following a publicly announced and painful target, we ended last year the routine and wasteful reliance on police cells to cope with prison overcrowding;
- (v) a key objective is to make more efficient use of manpower: we have told establishments that no new tasks should be created, unless they are wholly unavoidable or (in other cases) offset by savings; and

minimum cells

- (vi) we have set a target for reducing overtime in 1984-85 from the present 16½ average weekly hours to 15.

These manpower targets could have severe industrial relations implications. The stakes are high on both sides, and I shall have to proceed cautiously.

The fire service, over which at present we have no direct control, will cost nearly £600 million next year.

- (i) We shall use the expenditure and manpower controls over the fire joint boards (which will be responsible for nearly half fire service expenditure) to enforce greater efficiency, particularly by changes in manning arrangements. We shall then seek to extrapolate the changes in the rest of the country;
- (ii) the Fire Service Inspectorate is being reorientated to be concerned with efficiency. The Audit Commission is being brought in, too; and
- (iii) we shall shortly set a private target of achieving savings over the next five years: I expect it will not be inconsiderable.

For the Probation Service (£170 million next year), we have asked all area services to review their objectives and priorities in order to secure the deployment of resources to the best effect. They are doing this on the basis of a national statement of objectives and

priorities which we issued in May. We shall assess the results through the Probation Inspectorate.

For the magistrates' courts (£190 million next year), we issued, in March this year, guidance on specific action to secure more efficient enforcement of fines. Guidance on action to reduce waiting times will be issued this summer.

In our Immigration and Nationality Department we have made improvements in management information and control and in our handling of nationality cases which, taken together, permit a forecast of 22 per cent productivity improvement for 1984/85. For the first time since before the First World War almost all fees have been cut, giving applicants better value for money without cost to the taxpayer.

On the immigration side, the Department has been reorganised, saving fifteen posts. Also, we have reduced delays in appeal statement writing from eleven to three months, and have a current target of three weeks.

On central Home Office costs:

- (1) we have an agreed plan to rationalise our accommodation in central London, which will produce efficiency savings annually of about £400,000, with the possibility of a further £200,000;

foo
hms

/as a result

- (ii) as a result of staffing reviews last year, reductions of some 230 posts have been achieved, or are in prospect (about 12 per cent of the number reviewed);
- (iii) we have saved £1.6 million a year by contracting-out domestic work at training establishments;
- (iv) a number of miscellaneous reviews have produced prospective improvements worth about £1 million, for example through civilianisation of coroners' courts and increased income from licences; and
- (v) we are looking for a one per cent reduction this year in central, non-accommodation running costs (stationery and printing, cleaning, vehicles, postal services, etc - amounting to nearly £10 million annually) as a preliminary to what I hope will be a five per cent reduction next year).

I have not covered the whole picture. It is important anyway to be selective about target setting. I have concentrated on specifics, and not on the many quite fundamental changes in methods and approach that are taking place. For example:

- (1) we have developed better information systems for managing the prison system, the after-entry immigration control, and for the Police and Probation Inspectorates;

- (11) we shall be scrutinising major areas of Metropolitan Police expenditure, as well as the Police National Computer;

- (111) we shall be using consultants to advise on improved systems for the Directorate which provides communications for the police and fire services; and

- (1v) we shall be seeking the more effective use of Immigration Service manpower.

The test of these systems and scrutinies will be whether they produce observable results. By this time next year, I hope we shall have many more specific targets for such observable results. I am also determined that through "top-down" expenditure control, we should continue to seek and expect improved performance.

CONFIDENTIAL

PRIME MINISTER

9 July 1984

EFFICIENCY MEETING, DTI

The danger with the efficiency meeting as scripted is that it will degenerate into a vague and generalised discussion of management jargon.

Before DTI can decide how to be efficient they must consider the question: efficient at what? Unless the DTI is sure that it is encouraging profitable activities with its industrial support, it may not be delivering value for money, but damage for money.

Some of the points that could be brought out to give the meeting some substance are:

1. Why is the DTI so bad at investing taxpayers' money? Whether it be investing in exciting new ventures like De Lorean, Nexos, Microfilm Communications etc, or in old businesses like BL, British Shipbuilders, British Steel, the answer is often the same: an endless stream of losses.

Most of the DTI's sponsored investments are characterised by over-optimism about the prospects, a lack of successful monitoring, no tough action at an

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early stage when things are going wrong, and a wish to trust managements that have failed time and again.

2. Why does support reinforce failure not success? An analysis of the pattern of DTI assistance in 1980 and 1981 revealed that an industry was more likely to receive assistance if its productivity and its growth rate were low.

3. Why offer support for things that would happen anyway? A 1983 analysis of the results of the Product and Process Development Scheme (launched in 1977) indicated that successful projects supported under the scheme would have been undertaken anyway, by the larger firms, well able to support innovation, and who return regularly to the DTI for second helpings. The genuinely additional projects, usually by smaller companies, were generally unsuccessful.

Support for innovation has more than doubled in 5 years. Shouldn't the DTI discover what has been achieved with this support if it is to manage these resources efficiently?

4. Why has the DTI not made more rapid progress with selling off its accident-prone portfolio of investments? At BL, Austin Bide was charged with selling 2 businesses from within the BL stable within

CONFIDENTIAL

2 years. No businesses have been sold in his first 2 years of office, and only Jaguar is in prospect. Why can't DTI and BL together get on with the preferred strategy of selling off those businesses that have the best looking future, to give them new management, new shareholders, new cash and new initiative? Otherwise they will be starved of cash and management as 4-wheel drive has in recent years.

At British Shipbuilders we have been waiting 5 years for the sale of the warship yards, and they still have not materialised, despite a Manifesto commitment in 1979. At British Steel, the Phoenix programme has become a way of partially nationalising the private sector steelmakers, and has not been followed up with the sale of more equity in the resulting joint venture businesses by the public sector.

5. Why are Corporate Plans never processed on time? Full consideration of the BL, British Steel and British Shipbuilders plans have been dragged out for months, to the point where it annoys the Board of Directors concerned as well as other departments of government. Shouldn't DTI be able to process the Corporate Plan within 3 weeks of its receipt?

6. Why is it that the most successful businesses, like the leisure and financial service sectors, have

CONFIDENTIAL

relatively little DTI grant support and sponsorship, whereas the least successful businesses constantly return for more and more money, but never find this staves off redundancy and industrial shrinkage?

7. Why does the DTI cling so firmly to parts of its Regional Aid Programme - even in rejigged form - when it is shown that it is the most expensive form of job subsidy imaginable?

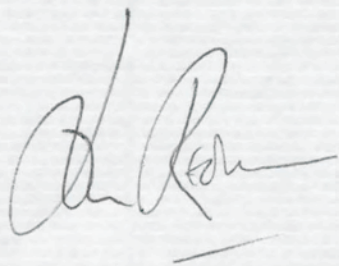
The DTI is a department whose ethos simply has not changed despite the change of government in 1979. It sees its main roles as dishing out money to businesses - particularly those in trouble - and offering sponsorship and advice, usually to businesses that are doing badly and which continue to do badly.

When it comes to developing strong policies in areas like competition - where it could deliver cheap cars to the British public - the DTI obstinately refuses to co-operate, and tries to fight off joint Treasury/Foreign Office advice that would deliver cheap cars. The DTI fails to cut its way through the large number of regulations which intrude on small business and big business alike, and is at its best when developing new and complex regulatory systems, as with its response to the Gower Report for the City, and the reform of insolvency law.

- 4 -
CONFIDENTIAL

CONFIDENTIAL

It would be a useful opportunity to point out that the DTI culture needs to be completely transformed so that it becomes part of this Government's economic philosophy rather than a remnant of a bygone age.

A handwritten signature in black ink, appearing to read 'John Redwood', with a horizontal line underneath the name.

JOHN REDWOOD

- 5 -
CONFIDENTIAL

PRIME MINISTER

9 July 1984

'SPONSORSHIP'

Much, but not all of the manufacturing sector is actively "looked after" by DTI. Many sectors are not accorded these favours, for example, the suppliers of the vast range of personal services which most individuals buy directly such as repairs, house building, travel agents, guest houses, and retailing.

Pure sponsorship is essentially a trade association function. It involves close consultation between officials and their industry, with a view to intervention in Whitehall, Brussels and other world capitals to help things go the industry's way, or to head off unwelcome developments. DTI employs about 700 staff under this explicit heading.

Over half of DTI's staff are sponsoring in a wider sense - promoting, informing, representing, advising, providing subsidies for investment and research, carrying out research themselves, or providing overhead support for these functions. Table 1 attempts to estimate roughly how many staff are engaged in this way. The totals are derived by subtracting from the departmental manpower totals, the numbers engaged on policy work and on regulation (and their share of overhead support). The remainder are assumed to be engaged on sponsorship-type activities. On this basis, the total DTI staff involved in sponsorship in 1983-84 were 6980.

NICHOLAS OWEN

DAVAAD

Table 1DTI MANPOWER ALLOCATION: average over 1983-84Policy and Regulation

Industrial policy	330
Trade policy	200
Regulation: insolvency, insurance, patents, radio regulation	4,030
Share of common services staff (3337)	<u>1,560</u>
<u>Sub-total</u>	<u>6,120</u>

Sponsorship-type Functions

"Sponsorship"	710
R&D support and research (including Alvey Directorate)	2,280
BOTB and Overseas Trade Divisions*	930
Regional Support	1,230
Industrial Development Unit	50
<u>Share of Common Services</u>	<u>1,780</u>
<u>Sub-total</u>	<u>6,980</u>
<u>TOTAL FOR DEPARTMENT 1983-84</u>	<u>13,100</u>

* In addition, perhaps 1,000 or more are engaged in the FCO on this activity and others in ECGD in support of 'national interest' business .

DAVAAD

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5700
PRIME MINISTER

9 July 1984

EFFICIENCY MEETING, HOME OFFICE

The Home Office has two very different types of task: managing large, mundane activities (prisons, fire services, immigration control); and coping with ticklish one-off problems, such as the Libyan Embassy siege. The HO needs to establish the right management systems to cope with the former tasks, leaving more of its skills free for the latter.

(a) HO Management

The Immigration Department is a vast paper factory employing several hundreds of people on complex rules of entry and control. Its overhaul was long overdue. In April this year it was re-organised and now has direct responsibility for its budgetary management, is improving management information on the scale and outcome of its casework and is studying the ways in which information technology may speed up procedures. It may be too early to ask what progress has been made, but the Prime Minister might wish to know whether other parts of the HO will be similarly reformed.

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(b) Inspectorates

If the Inspectorates are to enable the Home Secretary to satisfy himself that individual parts of his far flung empire are performing efficiently, the quality of their staff needs to be extended and improved.

To take the Prison Inspectorate as an example. Its statutory duties, under Section 57 of the Criminal Justice Act 1982 (amending Section 5 of the Prison Act 1952) require the Chief Inspector to report in particular on "the treatment of prisoners and conditions in prisons". The emphasis is on the physical environment: efficiency, financial management and management of the prison staff are not mentioned.

These terms of reference lead the Inspectors to carry out their task by looking at selected institutions each year. The May Committee of 1979 recommended that the Inspectorate should examine "more general aspects of the Prison Service". Although the Chief Inspector has noted the desirability of carrying through this aim, he has not the staff or the resources to do it properly. In 1982 the Prison Inspectorate had only six full time and two part time inspectors under the Chief and his Deputy, supported by a small staff. During the first year of a supposedly beefed-up independent Inspectorate in 1982 there was a 70% turnover in staff, visits to prisons were cancelled, reports

CONFIDENTIAL
- 2 -

CONFIDENTIAL

dwindled and a review of working methods postponed. The use of outside consultants was regarded as a step towards overcoming these problems.

In the light of this experience it would be pertinent to ask:

- (a) whether the terms of reference of the Prison Inspectorate should be extended so as to include management matters;
- (b) whether the right calibre and numbers of staff are employed in the Inspectorate;
- (c) whether the use of management consultants would yield greater benefits in achieving higher efficiency than the present practice of staffing Inspectorate by long-standing members of the service concerned.
- (d) whether the Inspectorates should be more closely integrated with Policy Divisions.

At Scala

NICHOLAS OWEN/PETER SHIPLEY

PP

CONFIDENTIAL - 3 -

PRIME MINISTER

VALUE FOR MONEY SEMINARS: TUESDAY 10 JULY

The meeting is an opportunity to impress on the heads of departments the importance of maintaining continual pressure to obtain better value for money in both administrative and programme expenditure. The most effective way of doing this is for the senior managers in departments to take a direct and regular interest in greater efficiency. They will take a lead from your direct interest in their effectiveness in obtaining better value for money within their departments and across the whole of government.

2. Both the Home Office and DTI are at much the same stage. The Secretaries of State are committed to obtaining better value for money, but there is a very long way to go. The departments are an interesting contrast: the Home Office is a big management organisation; DTI a big spending and sponsorship organisation. Both Ministers should be left in no doubt at all that they are only at the beginning of a long process and that they need to make the search for better value for money an integral part of their activities and not something which is done either in fits and starts or as a one-off activity.

3. I am attaching short briefing notes on the two departments attending the seminar, which contain some specific questions on each which you may wish to pursue. For both departments the following basic questions are appropriate:

- What are the Secretary of State's specific value for money targets - not just generalised objectives?
- What timetable has he set himself for each?
- How can motivation and a sense of urgency within his department be increased?
- Where can the scrutiny approach most effectively make a contribution?
- What help does he need from outside his department?
- Are there any major political obstacles to progress? Is there any role in this for colleagues collectively?

Handling

4. You will want to introduce the session with a reminder that the aim is to increase the rate of progress on improving value for money by learning from the experience of different departments. The



need to contain public expenditure, make savings and obtain greater output from available resources is of course the driving force from all this work.

5. I suggest you invite each Minister in turn to outline the recent achievements of his department in delivering better value for money and his plans for further progress. You should ask him to state clearly the targets against which he will be measuring progress.

6. At the end of each Minister's presentation you will probably wish to put some of the basic questions and specific departmental questions listed in this brief. This is the point at which the Permanent Secretaries should be encouraged to join in.

7. When both Ministers have spoken and answered questions you will want to encourage more general discussion on such themes as:

- The broader lessons that emerge from the individual presentations;
- The points on which central departments can help;
- Any difficult political points inhibiting progress;
- How to increase motivation and a sense of urgency in all this work.

8. In summing up you will want to ensure:

- 1) That strong messages of encouragement are relayed back to departments on points of positive achievement;
- (2) That Ministers and Permanent Secretaries feel committed to delivering further improvements in value for money against specific targets with a sense of urgency;
- (3) That any general lessons are clearly identified. The Efficiency Unit should be made responsible for pursuing these with relevant departments.

9. I am sending a copy of this minute to Sir Robert Armstrong and Sir Peter Middleton.

Kate Rankine

Robin Ibbs
6 July 1984

Clear targets

Police out of 2.8 bn.
24.5 bn.
Resources
Cash = units
Redeployed to operations

Objective
- cash limit
- time limit
"Performance review"



DEPARTMENT OF TRADE AND INDUSTRY

1. The DTI are making efforts to systematise their activities, but they are still short on specific objectives, targets and a clear view of the results they are aiming for. There are two areas it would be worth exploring: the management structure of the department and the departments' strategic approach to its sponsorship role.

Management

2. The department is working hard on management. They should by now be producing some results from the merger:

- What efficiencies has re-organisation produced in money, staff or rationalisation of policy?
- Will the information system produce the kind of information on which they can find better value for money by looking across the whole range of DTI activities?

Sponsorship

→ 3. The department spends a great deal of money on sponsorship (£700 million). They need a strategy to ensure that the money is being spent in total in the most effective way. They have set up an evaluation working group which the Secretary of State will no doubt describe.

12,400 →
- Transferred -
9. →

- What is the departments overall strategy on sponsorship: do they give a lead or react to demands?
- Is the evaluation working group the right forum in which to move forward work on evaluation? Can it work with sufficient urgency to ensure the effective use of DTI resources in the near future?

Ami. - Energy savings
Over-employment of suppliers

29% in need - £150. £200.

2 1/2 £20m
= -
50% - 40%

DEPARTMENT OF TRADE AND INDUSTRYStaff Numbers

1979	15818
1984 (actual)	12582 (-20%)
1988 (target)	12700

Expenditure Programme

	1984-85 £m cash	change since 1979-80
Regional and general industrial support	640	+ 20%
Scientific and technological assistance	369	+160%
Support for aerospace, shipbuilding, steel and vehicle manufacture	90	- 73%
Export promotion and trade co-operation	29	+ 32%
Regulation of domestic trade and industry and consumer protection	92	+ 96%
Other central and miscellaneous services	141	+107%
Nationalised industries external financing	142	- 87%
Total	1502	- 33%

Running Costs

The 1984-85 Estimate is £273 million (gross).

Potential from 1% improvement

Running costs	1% is £2.7 million per annum
Programme expenditure	1% is £15 million per annum

Top Management Systems

The department's work is reviewed annually through the Activities and Resource Management (ARM) system.

Budgeting Plans

"Responsibility Cost Centres" cover over half of the Department's staff. All discrete units are now covered and the concept will now be extended "as far as practicable" into Headquarters.

Scrutinies and Reviews

The Department has completed 10 scrutinies and 4 multi-department reviews.



THE HOME OFFICE

1. The Home Office is a federation of distinct businesses. The management task in the directly managed organisations - the prison service, the immigration service, and the technical services for the police is relatively clearly defined. The Metropolitan Police is managed through the Commissioner. The other activities of the Home Office - the fire service, the probation service, and the police outside London, are indirectly managed through inspectorates. It would be best to concentrate on two major areas.

The Prisons

2. The prisons cost £793 million. The Home Secretary's target is to achieve his objectives with fewer staff and reduce reliance on overtime. There is a management strategy for achieving this, but the industrial relations problems are formidable. The Home Secretary must be encouraged to face up to the need to manage the prison service positively. He must also be certain that he has the right management team:

- Is there a timetable for implementing the management strategy?
- Is the management team the right one to get to grips with the unions?

The Inspectorates

3. The Home Secretary has directly managed inspectorates responsible for the operation of the police, the fire service and the probation service. Traditionally they have been concerned with the quality of the service rather than its efficiency.

- How is he going to focus these inspectorates and the responsible policy divisions on delivering greater efficiency?
- Has he set them efficiency targets as distinct from operational targets?



HOME OFFICE

ANNEX

Staff Numbers

1 April 1979	33,490	
1 April 1984	36,446	+9%
1 April 1988 (target)	41,138	+23%

The increase in staff has been in the Prison Service. Non-prison manpower has fallen from 9,700 in 1979 to 8,800 now, but it is not planned to fall significantly in the next 3 years.

Expenditure Programmes

	1984-85 £m cash	change since 1979-80
Administration of Justice	230 (gross)	+123%
Penal System	793	+106%
Police	2,667	+ 82%
Fire	595	+ 61%
Community Service	22	+ 22%
Central and Miscellaneous	151	+140%

Running Costs

The 1983-84 Estimate was £652.7 million.

Potential from 1% improvement

Running costs	1% is	£38.1 million
Programme expenditure	1% is	£ 6.5 million

Top Management Systems

A two tier system: a six monthly strategy review of each business by the Home Secretary, supported by a detailed Annual Performance Review of each division by the Permanent Secretary.

Scrutinies and Reviews

5 scrutinies and 5 contributions to multi-department reviews.

1) Mr Butler
PRIME MINISTER

Seminar on Efficiency

Next Tuesday, you are due to hold your first Seminar on Efficiency. The Home Secretary and the Secretary of State for Trade and Industry will give presentations.

Sir Robin Ibbs is preparing a full brief for you. Meanwhile, he has suggested that the Seminar might work better if it were held in a less formal atmosphere than the Cabinet Room. Nine people are involved.

Agree to hold the Seminar in the White Drawing Room?

DMS

Yes no

DAVID BARCLAY
6 July, 1984

Mr Taylor

Could you please make the arrangements as above?

Mr. Barclay -
Certainly

Taylor 9/7

DMS
9/7



nbpm
2/6

cent.

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
London
SW1P 3EB

29 June 1984

Patrick Jenkin

Thank you for your letter of 23 May about the development of the Property Repayment Services (PRS) Scheme. I have also seen the letters from other Ministers on the same subject, addressed in some cases to me but in others to you.

I should like to deal, first, with the establishment of maintenance needs to which you referred in the third paragraph of your letter. I recognise that PSA has made a start on what is undoubtedly a major task. This is encouraging. However, I was not satisfied that sufficient progress had been made to justify my agreeing to an across the board increase in charges to provide PSA with an extra £20m a year for expenditure on maintaining the estate. As I explained in my letter of 10 May it will, in the first place, be necessary for us to agree on a fully costed forward programme by the end of the year, which takes account, for example, of the requirements of the estate and the feasibility of implementing such a programme given restraints on administrative resources, and so on.

I note that, as an interim measure, you have now submitted an additional bid in the 1984 Survey for expenditure in 1985-86. My officials are in touch with yours on that and also on your bid for additional capital expenditure (which covers the spend to save programme). And we shall be discussing these in the autumn.

After we have settled the resources available for 1985-86 we must then return, in good time, before the start of the 1985 Survey to the question of how maintenance requirements for future years should be funded. It is clear that, following the recent correspondence further consultation with Departments and discussion

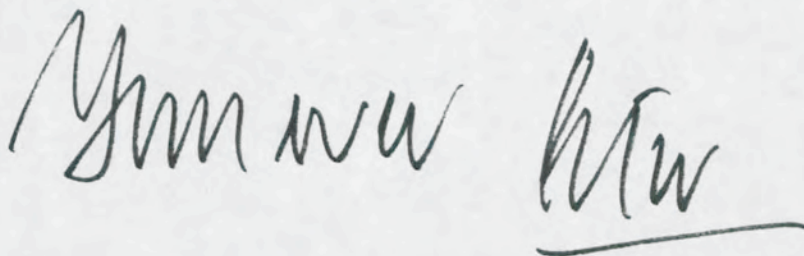
with colleagues will be required in the light of the further work to be done on the development of a costed forward programme.

There seems to be general agreement that the changeover to individual rents should take place on 1 April 1986: I agree that we must leave sufficient time to plan the changeover properly. I suggest that we consider the question of a redistribution of funds to take account of the new method of calculating rents when we know what effect the change will have on individual Departments' payments. I understand that your officials will shortly be calculating the effects. But I would not expect to have to make available any additional money, in total, for a procedural change of this nature.

I consider that we should stay with the proposal that individual rents should be based on PSA's assessment of market rates, rather than go down the road advocated by Peter Walker, Norman Tebbit and Nicholas Ridley that PSA should limit its charge to its actual outgoings. To charge a lower rate could result in the true opportunity cost of accommodation being seriously understated. But in any event it would be necessary, as Nicholas Ridley has acknowledged, to use assessed market rents for Crown buildings.

Finally, a number of colleagues have raised the wider issue of the respective responsibilities of PSA and Departments for controlling expenditure on maintenance. I assume that you will be commenting on that in due course.

I am copying this to the recipients of our earlier letters.

A handwritten signature in black ink, appearing to read 'Peter Rees', with a horizontal line underneath the name.

PETER REES

GOST Mach. PTIS

Rayner

2 JUL 1984

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DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/JF6739

Secretary of State
for Trade and Industry

25 June 1984

David Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1

- 1) cc Sir Robin Hobbs
Sir Robert Armstrong
- 2) please p.a.

Dma
26/6

Dear David,

VALUE FOR MONEY IN GOVERNMENT

Your letter of 13 June invited my Secretary of State to a meeting on 10 July on value for money work. I confirm that he will be able to attend. He will be accompanied by Sir Brian Hayes and Sir Anthony Rawlinson.

Your ent,
A. D. Lansley

ANDREW D LANSLEY
Private Secretary

From: THE PRIVATE SECRETARY

PA



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

cc Sir Robin Ibbotson
Sir Robert Armstrong

22 June 1984

Dear David

DMB
25/6

VALUE FOR MONEY IN GOVERNMENT

Thank you for your letter of 13 June about the seminar which the Prime Minister is to hold on 10 July.

The Home Secretary will be pleased to give the first of the presentations. He will be accompanied by Sir Brian Cubbon.

I am ever,

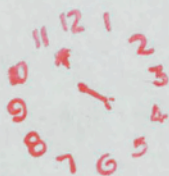
Nigel

N A PANTLING

David Barclay, Esq.

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25 JUN 1984





JU573

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215)
(Switchboard) 215 7877

20 June 1984

Lord Gowrie
Minister of State
Privy Council Office
Whitehall
London SW1A 2AT

D. Grey,

MULTI-DEPARTMENTAL REVIEW OF ACCOMMODATION

Your minute of 11 June to the Prime Minister sought my agreement, subject to her approval, to my Department taking part in a multi-Departmental review of accommodation.

2 I am happy to agree to this. This is a worthwhile topic on which a searching reappraisal of current practice will be very useful. The terms of reference include Departmental arrangements for budgeting for accommodation. This should include the points I made following the Efficiency Unit presentation to the Cabinet, on the treatment in financial estimates of expenditure to produce later savings.

3 I am sending copies of this letter to the Prime Minister, Nigel Lawson, Peter Walker, Patrick Jenkin, Michael Heseltine, Tom King, Nicholas Ridley, Michael Jopling, Sir Robert Armstrong and Sir Robin Ibbs.

Norman

NORMAN TEBBIT

Count Mack: Rayner P415

1981 JUN 18





FCS/84/179

CHIEF SECRETARY OF THE TREASURY

*nbpm
DUB
10/1*

Development of the Property Repayment Services System (PRS)

1. Now that I have seen so many comments from colleagues on the correspondence begun with Patrick Jenkin's letter to you of 25 April, I would like to add a few thoughts to those contained in my minute to Patrick Jenkin of 14 May (which I am now copying to the other recipients of the correspondence).

I share the general feeling about the lack of maintenance in the Civil Estate and the inadequacy of the original PES transfers for PRS. We must be careful not to compound the inequities, for example by accommodation charges being raised simply to pay for VAT (which involves a PES transfer back to Treasury). I also agree with Nicholas Ridley among others that Departments should have the right to challenge PSA's assessments and have a greater say in the management and maintenance of their Estate.

2. I note that you would like to see a scheme of greater recovery of maintenance costs from Departments set up in time for the 1985 Survey. But before then I believe that officials should meet to have a fundamental look at the PRS system. Whilst it is obviously right that Departments should pay the true costs of all their accommodation expenses, they should have greater control over how the money is spent.

/3.



3. I am sending copies of this minute (with enclosure)
to the recipients of yours.

A handwritten signature in dark ink, appearing to be 'G. Howe', written in a cursive style.

(GEOFFREY HOWE)

Foreign and Commonwealth Office

20 June 1984



FCS/84/141

SECRETARY OF STATE FOR ENVIRONMENT

Development of the Property Repayment Services System (PRS)

1. I am grateful to have the opportunity to comment on your letter of 25 April to the Chief Secretary and Cabinet colleagues.
2. You ask us whether the application of the accommodation charge to individual buildings rather than to broad categories of buildings should start in 1985/86 or 1986/87. I share your preference for waiting until 1986/87 when client departments will have a better idea of how the change will affect them. Any further uncertainty about what our bill will be for 1985/86 could have serious implications for my position in the 1984 Public Expenditure Survey. The FCO already faces a £2.4 million gap between the total PRS charges we pay and the PES transfer we received.
3. In principle, assessment by individual building should remove such absurdities as the FCO Main Building suffering a 19% increase in notional "rent" in 1984/85 whereas the neighbouring Treasury building had virtually no increase. Though both buildings are government-owned, they were deemed to be in different categories for "rent" purposes.
4. I would also favour deferment of your other proposal to increase the accommodation charge by about 4% to finance further maintenance work and to require each Department to make an appropriate additional bid in PES. I am concerned that this will worsen one defect of PRS whereby Departments are having to accept increased responsibility for financing maintenance and other expenditure without control over where PSA spend it. But I fully share your wish to ensure that the total funds available for maintenance of the Civil Estate are kept at a satisfactory level. I am conscious that a considerable proportion of these funds will be needed for the 12-year plan to refurbish the main FCO building which has just begun. This plan has been subject



to some 20 years of delays and I believe it should be given a very high priority in the list of major maintenance works to be undertaken by PSA. Slippage in such projects ties up prime office space and forces us to spend money on accommodation elsewhere. This is thoroughly uneconomic.

5. The Overseas Estate, which we took over from your Department last year, has also suffered from lack of maintenance over the years. I believe the remedy lies in greater freedom to recycle our assets. We need more end-year flexibility and the capacity to sell property at the optimum moment, as private estates do. Present government accounting rules prevent us from using receipts which have not been predicted well in advance of the Estimates year concerned.

6. I am copying this letter to the Prime Minister, the Chief Secretary, Sir Robert Armstrong and Sir Robin Ibbs.

GEOFFREY HOWE

Foreign and Commonwealth Office
14 May, 1984

file ECU



- 1. David Barclay - to see
- 2. Pl file

10 DOWNING STREET

From the Principal Private Secretary

MR BEESLEY
Cabinet Office

As I mentioned to you on the telephone, I received a letter from the Chancellor's office urging that the Chief Secretary and Mr Bailey should attend the seminars on value for money.

The Prime Minister saw this letter but has accepted Sir Robert Armstrong's and Sir Robin Ibbs' advice that Treasury Ministers should not attend. I enclose a copy of the reply I have sent to Mr Peretz after consulting you. Could you please ensure that the Treasury are informed of the plans for seminars.

I am copying this minute and the attachment to Richard Hatfield.

FRB

13 June 1984

✓



10 DOWNING STREET

From the Principal Private Secretary

13 June 1984

PRIME MINISTER'S SEMINAR ON VALUE FOR MONEY

Thank you for your letter of 12 June which the Prime Minister has seen and considered.

The Prime Minister is glad that the Chancellor welcomes the idea of these seminars. She has had advice from Sir Robert Armstrong and Sir Robin Ibbs that the seminars are likely to be most effective if they are set up in a way which encourages Ministerial heads of departments to take a positive approach to their management responsibilities. Sir Robin feels that Ministers will be bound to be defensive if meetings are large or Treasury Ministers are present.

The Prime Minister has weighed this advice against the considerations advanced by the Chancellor, of which she recognises the force. She considers that the balance of argument in this instance is in favour of conducting the meetings on the lines that Sir Robin Ibbs has proposed. We will however ensure that the Treasury are told of the planned seminars in advance so that the Chief Secretary can let the Prime Minister know of any thoughts which he would like her to have in mind and we will also send his office a record of the discussions.

FRB

David Peretz, Esq.,
H.M. Treasury.

k



10 DOWNING STREET

From the Private Secretary

Mr. Beesley

Prime Minister's Value for Money Seminars

Thank you for your minute of 11 June. The Prime Minister is content with your recommendation that the Home Office and Department of Trade and Industry should be the two Departments to be taken at the first Value for Money Seminar on 10 July.

I have now written to both Departments, and copies of my letters are on their way to you separately. No doubt you will kindly be providing the Prime Minister with a full brief in due course.

DB

13 June, 1984.

NR



JEK

10 DOWNING STREET

From the Private Secretary

13 June 1984

VALUE FOR MONEY IN GOVERNMENT

Your Secretary of State will recall that, during the discussion which followed Sir Robin Ibbs' presentation to Cabinet Ministers on 10 May, the Prime Minister said that she had it in mind to hold a series of small "value for money" seminars. The intention would be for Ministers and their Permanent Secretaries to describe examples of how value for money in operations or programmes had been improved in the past year and what improvements they were planning.

The Prime Minister has decided that the first of these sessions, to be held at 10.00 am on 10 July, should cover two departments, and she would be grateful if your Secretary of State could make the second of the two presentations. The Home Secretary is being invited to make the other.

The Prime Minister is keen to keep the sessions small, but your Secretary of State might want to be accompanied by his Permanent Secretary. The discussions are not to be seen as part of the public expenditure negotiations, and apart from the Prime Minister, the only others present will be Sir Robin Ibbs, Sir Robert Armstrong and Robin Butler. The Prime Minister hopes that each Secretary of State will speak for up to 15 minutes, roughly half to display the main value for money improvements actually achieved in the past year and roughly half to explain what is going to be achieved. This would be followed by a further 15 minutes of discussion in each case.

I am sending copies of this letter to Nigel Pantling (Home Office), Richard Hatfield (Cabinet Office) and to Sir Robin Ibbs.

David Barclay

Callum McCarthy, Esq.,
Department of Trade and Industry.

AB



je v

10 DOWNING STREET

From the Private Secretary

13 June 1984

VALUE FOR MONEY IN GOVERNMENT

Your Secretary of State will recall that, during the discussion which followed Sir Robin Ibbs' presentation to Cabinet Ministers on 10 May, the Prime Minister said that she had it in mind to hold a series of small "value for money" seminars. The intention would be for Ministers and their Permanent Secretaries to describe examples of how value for money in operations or programmes had been improved in the past year and what improvements they were planning.

The Prime Minister has decided that the first of these sessions, to be held at 10.00 am on 10 July, should cover two departments, and she would be grateful if your Secretary of State could make the first of the two presentations. The Secretary of State for Trade and Industry is being invited to make the other.

The Prime Minister is keen to keep the sessions small, but your Secretary of State might want to be accompanied by his Permanent Secretary. The discussions are not to be seen as part of the public expenditure negotiations, and apart from the Prime Minister, the only others present will be Sir Robin Ibbs, Sir Robert Armstrong and Robin Butler. The Prime Minister hopes that each Secretary of State will speak for up to 15 minutes, roughly half to display the main value for money improvements actually achieved in the past year and roughly half to explain what is going to be achieved. This would be followed by a further 15 minutes of discussion in each case.

I am sending copies of this letter to Callum McCarthy (Department of Trade and Industry), Richard Hatfield (Cabinet Office) and to Sir Robin Ibbs.

David Barclay

Nigel Pantling, Esq.,
Home Office.

AO

CONFIDENTIAL



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

12 June 1984

F E R Butler Esq
10 Downing Street
LONDON
SW1

Mr Butler

PM has agreed the proposals
on attendance in RIA's
minute attached.

(7/6-1084/1654)

David
13/6

Dear Robin,

PRIME MINISTER'S SEMINARS ON VALUE FOR MONEY

The Chancellor has asked me to write to you about the seminars which the Prime Minister proposes to hold with departmental Ministers and Permanent Secretaries which follow from Sir Robin Ibb's presentation to Cabinet Ministers last month on value for money. He understands that the first is now being arranged for early next month.

The Chancellor very much welcomes the idea of these seminars, and believes they should provide an excellent opportunity to carry forward the financial management reforms which the Prime Minister launched in 1982. As the Chief Secretary has the leading Ministerial role in co-ordinating departments' work on the FMI, and the central Treasury responsibility for promoting value for money, the Chancellor would be grateful if he could be invited to attend these seminars together with Alan Bailey, the Permanent Secretary in charge of that side of the Treasury.

Yours ever
David

D L C PERETZ
Principal Private Secretary

PRIME MINISTER

Value for Money

Following Sir Robin Ibbs' presentation to Members of the Cabinet about efficiency and value for money, you agreed to hold a series of smaller meetings with individual departments.

I attach a minute from the Efficiency Unit proposing that the first of the seminars, which we have arranged for 10 July, should be with the Home Office and the Department of Trade and Industry. The Home Office is recommended because it has a good record and deserves encouragement. The Department of Trade and Industry, on the other hand, seems to be making slow headway. The Efficiency Unit acknowledge that there are other departments which deserve scrutiny (eg. DES and the Department of Transport). But for various reasons they propose to take them later, if you agree.

On the question of attendance, Sir Robin Ibbs' view (which is shared by Sir Robert Armstrong) is that it would be wise to involve only the Minister in charge of the department concerned, his Permanent Secretary, and yourself, supported by Sir Robin Ibbs, Sir Robert Armstrong and Robin Butler. Treasury Ministers would no doubt like a place at the table, but the danger then is that departmental ministers would be briefed very defensively. Sir Robin Ibbs feels that it is important to separate your meetings from the expenditure and manpower bilaterals.

They would please see the Chancellor's letter at flag A

Content with the Efficiency Unit's proposals for attendance, and with their choice of the Home Office and DTI for the first meeting?

Yes

DWB

David Barclay

12 June 1984



Prime Minister
 Agree to take the Home Office
 and DTI first?

cc Sir Robert Armstrong

MR BARCLAY

DNUS
 12/6

PRIME MINISTER'S VALUE FOR MONEY SEMINARS

1. I attach draft letters of invitation to the Home Secretary and the Secretary of State for Trade and Industry for the first seminar on 10 July.

2. On the basis that the session will last about an hour, Sir Robin Ibbs thinks that two is the best number to be invited - particularly as a careful pairing will engender a useful spirit of competition. We recommend the Home Office mainly because it has shown such strong signs of improvement in management matters over the past year or so; and that deserves both encouragement and emulation by others. We have also had in mind that Sir Brian Cubbon indicated he would welcome an invitation. As a companion we recommend the Department of Trade and Industry. The attachment to securing greater value for money in this Department seems much less dynamic. The 1984 MINIS-type systems have recently been completed and, so far, we have not seen striking indications of progress in the Department for 1984/85. Further, there is substantial potential for reading across into other departments any lessons about sponsorship roles.

3. Other departments might have been chosen but the Department of Trade and Industry seems the best option. For example, it would be better to wait with the Department of Education and Science until we know how well the efficiency study of the Universities is working out. The Department of Transport might be another possibility but our inclination is to take them in the second or third round when we have had a successful session under our belts. The same goes for MAFF.



4. The letters seek to set out some simple basic ground rules: notably that each Secretary of State should speak for about 15 minutes followed by 15 minutes of discussion and that they will each be present throughout; that about half the presentation should be backward looking and at least half forward looking; and, most importantly, that they are not intended as public expenditure occasions (hence the restricted attendance).

IB

IAN B BEESLEY

11 June 1984

CONQUEROR

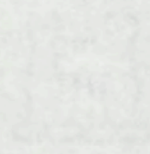


Faint, illegible text, likely bleed-through from the reverse side of the page.

12 JUN 1984



COMPTROLLER



DRAFT LETTER FROM MR BARCLAY ✓

Nigel Partridge
Private Secretary
Home Secretary

GR

frms psc (2 letters).

D

136

NSCA/CO

VALUE FOR MONEY IN GOVERNMENT

Your Secretary of State will recall that, during the discussion which followed Sir Robin Ibbs' presentation to Cabinet Ministers on 10 May, the Prime Minister said that she had ^{it} in mind to hold a series of small "value for money" seminars. The intention would be for Ministers and their Permanent Secretaries to describe examples of how value for money in operations or programmes had been improved in the past year and what improvements they were planning.

The PM has decided that

I am writing now to let you know that the Prime Minister has ~~decided to have the first of these sessions, at 10 am on 10 July.~~ ^{to be held at 10am on 10 July.} ~~It~~ ^{should} ~~will~~ cover two departments, and Mrs Thatcher ^{she} would be grateful if your Secretary of State could make the first ^{of the two} presentations. ~~The PM has invited~~ ^{The PM has} similar invitation is going to the Private Secretary of the Secretary of State for Trade and Industry ^{is being invited to make the other} for the second presentation. ~~at the first as~~

The Prime Minister is keen to keep the sessions small, but your Secretary of State might want to be accompanied by his Permanent Secretary. The discussions are not to be seen as part of the public expenditure negotiations, ^{and} apart from the Prime Minister, the only others present will be Sir Robin Ibbs, Sir Robert Armstrong ^{and Robin Butler G.} and the Principal Private Secretary). ^{will} What the Prime Minister ~~wants~~ ^{hopes that} is for each Secretary of State ^{will} to speak for up to 15 minutes, roughly half to display the main value for money improvements actually achieved in the past year and roughly half to explain what

is going to be achieved. This ^{would} ~~will~~ be followed by a further 15 minutes of discussion ^{in each case.} ~~before turning to the Secretary of State for Trade and Industry to take the lead in the second half of the session.~~

I have little doubt that in discussion the Prime Minister would be particularly interested in any broader implications of what your Secretary of State plans to do which might require her support or that of colleagues.

I am sorry to be offering only one date for the session, but the Prime Minister is very keen to go ahead before the Summer recess and hopes that your Secretary of State will be able to fit in with these arrangements.

I am copying this for information to Private Secretaries of Cabinet Ministers, to the Private Secretaries of the Minister of State (Privy Council Office) and the Minister of State (Treasury) and to Sir Robin Ibbes and Sir Robert Armstrong.

I am sending copies of this letter to
Cathie MacCarthy (DPI), Richard Hatfield (Cabinet Office)
and to Sir Robin Ibbes.

DRAFT LETTER FROM MR BARCLAY

Private Secretary
S/S Trade & Industry

VALUE FOR MONEY IN GOVERNMENT

Your Secretary of State will recall that, during the discussion which followed Sir Robin Ibbs' presentation to Cabinet Ministers on 10 May, the Prime Minister said that she had ^{it} in mind to hold a series of small "value for money" seminars. The intention would be for Ministers and their Permanent Secretaries to describe examples of how value for money in operations or programmes had been improved in the past year and what improvements they were planning.

~~The PM has decided that I am writing now to let you know that the Prime Minister has decided to have the first of these sessions at 10 am on 10 July. It will cover two departments and Mrs Thatcher would be grateful if your Secretary of State could make the second presentations. A similar invitation is going to the Private Secretary of the Home Secretary for the first presentation.)~~
The PM has decided that
to be held
she
of the two
on that day. The Home
Secretary is being invited to make the other.
It should

The Prime Minister is keen to keep the sessions small, but your Secretary of State might want to be accompanied by his Permanent Secretary. The discussions are not to be seen as part of the public expenditure negotiations, ^{and} (apart from the Prime Minister, the only others present will be Sir Robin Ibbs, Sir Robert Armstrong and ~~the Principal Private Secretary~~ ^{and Robin Butler}). ~~What~~ ^{will} The Prime Minister ~~wants~~ ^{hopes that} ~~is~~ for each Secretary of State to speak for up to 15 minutes, roughly half to display the main value for money improvements actually achieved in the past year and roughly half to explain what

This would be for
is going to be achieved. ~~In each case this will be followed by~~
a further 15 minutes of discussion. *in each case.*

I have little doubt that ~~in discussion~~ the Prime Minister would be particularly interested in any broader implications of what your Secretary of State plans to do which might require her support or that of colleagues.

I am sorry to be offering only one date for the session, but the Prime Minister is very keen to go ahead before the Summer recess and hopes that your Secretary of State will be able to fit in with these arrangements.

I am copying this for information to Private Secretaries of Cabinet Ministers, to the Private Secretaries of the Minister of State (Privy Council Office) and the Minister of State (Treasury) and to Sir Robin Ibbs and Sir Robert Armstrong.

I am sending copies of this letter to Nigel Panton (Home Office), Richard Hatfield (Cabinet Office) and to Sir Robin Ibbs.



10 DOWNING STREET

From the Private Secretary

MR HATFIELD

Value for Money

Sir Robert Armstrong minuted Mr. Butler on 7 June about the seminars which the Prime Minister will be holding with selected Departments on the subject of value for money.

Mr. Butler agrees with Sir Robert's view that it would be right to invite only the Department concerned apart from Sir Robin Ibbs, Sir Robert and himself. I am in touch with Mr. Beesley about the arrangements for the first seminar.

David Barclay

8 June 1984



10 DOWNING STREET

Mr. Barclay

Mr Butler

Let us set the
meetings up in the
way Sir Robert proposes

FERS

I think Sir Robert's 8.6.

preference for no other

Ministers is quite defensible,
though Lord Gowrie and the
Chief Sec (or rather his
officials) will feel a little
put out.

Dms

8/6

Ref.A084/1654

MR BUTLER

Value for Money

Mr Barclay sought advice from Sir Robin Ibbs about setting up the first of the Prime Minister's planned seminars about Departments' value for money improvements - including whether the Chief Secretary and Lord Gowrie should attend. I have discussed all this with Sir Robin. Mr Beesley will provide draft letters to the Ministers invited to give presentations shortly. Meanwhile, this minute is about who else should attend.

2. The objectives of the seminars are:

To remind Ministers of the Prime Minister's keen interest in value for money and her determination that each Department shall make substantial improvements both in running costs and in the value obtained from programmes.

To encourage Ministers and Permanent Secretaries to display the progress they have made and their plans for further improvement, and to stimulate them to achieve additional and possibly more radical improvements. By having at least two Departments present at each seminar to encourage some element of competition.

To encourage Ministers and Permanent Secretaries to make full use of the scrutiny process and of the assistance available from the Efficiency Unit.

3. It is important that the seminars should be specifically directed at encouraging good management and should not be in any way associated with the public expenditure review and the negotiations between Departments and the Treasury. Ministers are bound to be defensive if Treasury or junior Ministers are present.



4. Sir Robin Ibbs and I therefore conclude that these meetings are likely to be most effective if attendance at them can be kept as small as possible, particularly on the Prime Minister's side of the table. He thinks that their value would be diminished in some degree if the Chief Secretary and the Minister of State, Privy Council Office, were present. We suggest that the team on the Prime Minister's side of the table should be confined to the Prime Minister, Sir Robin Ibbs, you (personally) and me.

R

Approved by
ROBERT ARMSTRONG
and signed in his absence

7 June 1984



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
Room N16/05
2 Marsham Street
LONDON
SW1P 3EB

6 June 1984

*wbpun
Dms
8/6*

Dear Patrick

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM

I have seen your letter of 25 April to Peter Rees proposing a number of changes in the PRS system and the subsequent correspondence, which I have read with great interest.

I agree with Peter about the difficulty at this late stage in the PESC cycle of coping with the proposed increase in the accommodation charge and I am glad that you have accepted that any increase should be deferred until 1986-87. I also agree with his view that a comprehensive costed forward programme should be developed and I would expect there to be very close consultations between PSA and individual departments in compiling such a programme.

Any decision on the required level of expenditure for such a programme would clearly need to wait on the outcome of these discussions, but I fully support your arguments and those of colleagues who have drawn attention to the inadequacy of the original PESC transfers for PRS. The shortage of funds for maintenance and minor new works is causing increasingly severe difficulties, leading to a number of operational inefficiencies in buildings occupied by my staff, some of which they share with yours.

I am, however, very uneasy about the mechanisms for PRS you have in mind for 1986-87 and beyond. As I understand it, the control over expenditure for work services and its allocation between departments will remain in PSA hands. While the charges that departments pay will also remain in PSA hands they will continue to be calculated on a "club" basis and not in relation to the actual amount to be spent on the buildings they occupy. Yet departments will be expected to fit the charges into their PESC priorities and present their own bids to Treasury accordingly.

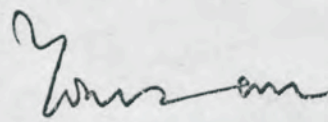
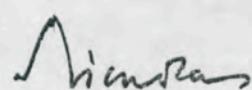
I agree with Grey Gowrie that there is something inherently unsatisfactory about such an arrangement. It is not in my view consistent with the principles of responsibility and accountability we are all trying to follow through the FMI. The more departments are required to pay and the more responsibility for accommodation they are expected to bear - developments I fully support - the more they are entitled to a full say in the way funds are used. I believe, therefore, that as well as a comprehensive forward programme, developed in close consultation with departments, we need to review urgently the longer term relationship between PSA and individual departments to see how we can best move towards matching charges and services actually supplied.

As to rents and rates, I fully support the move to individual assessments as an important step away from notionality. However, I wonder if you should not go further in the case of leasehold buildings and charge departments the rents PSA are actually paying rather than an assessed market rent? This would simplify PSA's task and enable departments to see the actual costs of the buildings they occupy. I realise, of course, that for Crown buildings it would still be necessary to assess market rents.

Your proposals for rents carry one or two other implications which have not so far been touched on in this round of correspondence. First, departments should have the right to challenge PSA's assessments. This would not often need to be used - especially if actuals were charged - but it should be available as an important safeguard. Secondly, it would be essential for PSA to provide information about the incidence of rent review clauses and other relevant details so that departments can plan for the impact on their costs of changes which are likely to be much more marked than with the present averaging.

Finally, I see these proposed moves towards commercial practice as being one sided as long as the changes apply only to charges. The more departments pay and face up to the implication of true costs, the more they need a greater say in the management and maintenance of their estate. I realise that the arguments are not all one way on this matter, but I think it inevitable that departments will increasingly expect more freedom of action over accommodation and I hope that PRS can be developed accordingly.

I am copying this letter to recipients of yours.

NICHOLAS RIDLEY



CCNO

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 215 7877

Secretary of State for Trade and Industry

5 June 1984

The Rt Hon Peter Rees QC MP
Chief Secretary
H M Treasury
1 Parliament Street
London SW1

*nbpm
DWB
5/6*

D Peter.

DEVELOPMENT OF THE PROPERTY REPAYMENT SYSTEM (PRS)

Patrick Jenkin sent me a copy of his letter to you of 25 April about changes in the Property Repayment System and I have seen a copy of your reply.

2 It is important to develop and refine the PRS in the interest of efficient and cost effective management of the civil estate. There is of course plenty of evidence that there is room for improvement in the general management of the estate and I have noted Patrick Jenkin's concern about maintenance. However, speaking as a customer, I must endorse your reservations, and those of Cabinet colleagues, particularly about the financial implications of what is now proposed, and the need for further consideration by officials.

3 While I understand the need for an adequate maintenance programme, I find it difficult to reconcile accommodation charges with the fact that my Department has little or no effective means of influencing or monitoring how or where the money is spent. At present Departments have no way of knowing whether they are getting value for money.

4 As matters stand, I do not think it is practicable or realistic to expect Departments to fund the proposed extra charge for maintenance either from within existing overall provisions, or indeed through new bids, without a much closer look at what is needed. Certainly, I should want to look carefully to see that any increase which resulted directly from changes in VAT charges - and which therefore is a straightforward transfer of Departmental PESC back to the Exchequer - is fully met by increased provision. In the longer term, however, I do believe it would be consistent with

JH1AFC

GOVT MARCH
Raynes P/15

08 JUN 1984





PRS for Departments to be more closely involved in decisions affecting the location and maintenance of their estate.

5 I welcome the proposal for moving towards current market rents and rates. Would it not however be preferable, and more in keeping with the purpose of PRS, to charge actual as opposed to assessed rents for leasehold properties? This would enable Departments to know exactly the cost of particular locations, to plan expenditure accordingly and, when the time came for lease renewal, to evaluate the operational and cost benefits of remaining in situ or moving elsewhere. I certainly agree, however, that sufficient time must be allowed to make proper PESC provision and other necessary arrangements: we do not want a repeat of the 83/84 PRS experience.

6 If I may make one final point: I cannot over-emphasise how important it is for my Department to rationalise and concentrate its existing fragmented central London estate in order to improve operational efficiency and make the most effective use of reduced resources; this is increasingly relevant as the Department's plans for introducing modern office technology gather momentum. I am sure we shall incur both cost and efficiency penalties unless the Property Services Agency is allowed to adopt a much more flexible and positive attitude in responding to my Department's accommodation strategy.

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

A handwritten signature in black ink, appearing to read 'Norman Tebbit', with a stylized flourish above the name.

NORMAN TEBBIT



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

From the Minister

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

*nbpm
DMS
4/6*

4 June 1984

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM

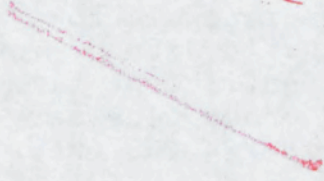
Thank you for your letter of 17 May. I think that I do need to try and clarify your point about the principle of user Departments meeting the cost of essential additional maintenance work.

Clearly user Departments can influence PSA's maintenance costs by increasing or decreasing the amount of accommodation they occupy and it is reasonable that such changes in requirement should under PRS be reflected in the maintenance charge by PSA. However, under PRS, except in so far as they can vary the areas they occupy, user Departments have no control over the amounts spent by PSA on maintenance; and indeed what a user Department pays to PSA for maintenance is not based on what PSA spends on maintaining that Department's accommodation, but derives from an averaging system applied to the civil estate as a whole.

Even so I would not quarrel with user Departments having to find the funds for an increase in PSA maintenance costs related to the effects of inflation, but the increase proposed in Patrick Jenkin's recent letter is clearly not of that character. As Michael Heseltine has suggested, there appears to have been some past under provision by PSA for maintenance work. Having as a result made inadequate PES transfers to Departments when PRS began, PSA are now apparently seeking to remedy this under provision at user Departments' expense. This does not seem right in principle at all; and so I repeat the proposal in my previous letter that, if the Treasury do eventually agree to PSA restoring their maintenance expenditure to an adequate level, PSA should transfer the resulting increased provision to user Departments in the same way as the original PES transfers for PRS.

/I am

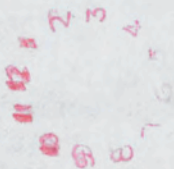
15 JUN 1984



GONT MACA: Rogers Pt 15

I am copying this as before to the Prime Minister and all members of the Cabinet and other Ministers in charge of Departments together with Sir Robert Armstrong and Sir Robin Ibbes.

10 JUN 1984



A handwritten signature in cursive script, which appears to read "Michael Jopling".

MICHAEL JOPLING



QUEEN ANNE'S GATE LONDON SW1H 9AT

29 May 1984

Dear Chief Secretary,

no pwr sub 30/5

DEVELOPMENT OF PRS

I have seen Patrick Jenkin's letter of 25 April, your reply, the letter from Michael Heseltine and Michael Jopling and your letter of 17 May to Michael Jopling.

I share the concern which these responses show about Patrick's proposal that the increased provision which is apparently required to cover all the work which the PSA say needs to be done to keep the civil estate in a satisfactory condition, should be translated into increases in Departmental accommodation charges.

The fact is that my existing PRS provision is already some £2 million short for the charges which have to be met and an increase of 4% in the accommodation charge would nearly double the shortfall. As Michael Jopling and Michael Heseltine have pointed out, the increases which would fall on Departments would not necessarily reflect the incidence of the additional maintenance. Individual Ministers have little scope for questioning or influencing the expenditure, though provision for it would have to be found either by cutting into their programmes or by bidding for extra provision. I do not think this is at all satisfactory. Unless ways can be found whereby Departmental Ministers can exercise effective choice in relation to expenditure requirements of this kind, then it would be better for it to be presented as a single additional requirement.

As regards Patrick's proposal concerning current market values, I agree that a move in this direction should be taken, and also that this should wait until 1986-87. I am concerned to learn however that it is envisaged that the financial consequences of the change would be accommodated within Departmental programmes, rather than by switching provision among Departments. This is likely to have haphazard and potentially damaging effects on Departmental programmes. In my view this aspect needs to be considered further by officials, which is itself a good reason for deferring the change to PES 1985 and the 1986-87 financial year.

I am copying this letter to the recipients of yours.

*I am sincerely,
Nigel Partridge*

Approved by the Secretary of State
and signed in his absence

The Rt Hon Peter Rees, QC, MP



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MAY 17
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30 MAY 1971
10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

cc/NO



Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switsfwrdd)
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-233 3000 (Switchboard)
01-233 6106 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Nicholas Edwards MP

25 May 1984

De Pakin

*NSRM
2075*

DEVELOPMENT OF THE PRS SYSTEM

Thank you for your letter of 25 April about proposed changes to the PRS system and their implications for the 1984 Public Expenditure Survey.

I have no reason to disagree with your view that the condition of the civil estate generally is falling below the standards appropriate to this day and age, because of a lack of maintenance and other works for which PSA are responsible. Assuming that you are satisfied that the problem cannot be solved by increased efficiency alone, and that you have established that PSA need to spend more money, then I would have no objections in principle to paying more for a better service. I must, however, make it clear that my agreement is entirely conditional upon appropriate additional funds being made available to my Department; other administrative funds are already under great pressure and it would not be reasonable to attempt to meet any increase in accommodation charges from that source.

I agree with Michael Heseltine - his letter of 9 May to Peter Rees - that PSA should negotiate with Treasury for any necessary increased PES provision as, unlike departments generally, they have the data needed to do so.

I welcome the proposal that rents and rates should be assessed on an individual building basis, and this should help to improve the validity of accommodation costs as part of financial management as a whole. I am not sure, however, whether it might not be fairer to use comparative current rentals rather than current market values as a basis for arriving at individual rents, and I hope that this and other possibilities can be discussed during the negotiations with Departments.

/As to

The Rt Hon Patrick Jenkin MP
The Secretary of State for the Environment

Gäst. Mach. Rayner 1715



As to timing, I take the view that these new arrangements should be introduced in 1986/87. It would be neither practical nor desirable to attempt to charge revised rentals in 1985/86, as time must be allowed to complete negotiations and then to consider the PES implications of any consequential resource requirements which, as you recognise, could be significant for some departments.

I am copying this letter to the recipients of yours.

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24/5

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
2 Marsham Street
London
SW1P 3EB

24 May 1984

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM

Thank you for the copy of your letter of 25 April. I have been following the correspondence with interest.

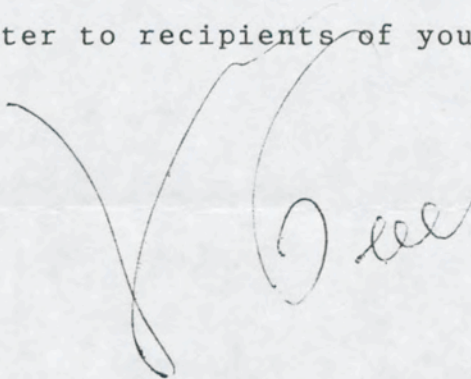
I note that Peter Rees has now proposed a review of the issues arising on maintenance work. The important thing, it seems to me, is to avoid a split between responsibility and decision-taking. Either the Property Services Agency (PSA) should provide a common service to Departments in which case it should take the decisions on what is required to keep property in satisfactory order and bear the responsibility for those decisions; or Departments should be responsible and take the decisions themselves, using the PSA, or any other source of professional advice they choose, to guide them on what is needed. It would be quite wrong to leave the PSA in a position where it could require Departments to undertake work without itself taking responsibility for the decisions involved or for finding the money to finance them.

On rent and rates I welcome the move to a realistic system of charging. I assume that rents will be based on actual rents, where available, and rates will be based on actual rates (or contributions in lieu of rates on Crown estate properties). Anything less would perpetuate the present theoretical nonsenses. If this approach is adopted I do not see why the introduction of the regime based on actual rents and rates would need be deferred beyond 1 April 1985. The information should be readily available and the adjustments needed to baselines should be straightforward.

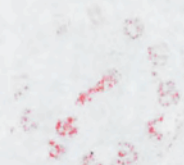
There is one point I would add. Energy efficiency is attracting growing public interest as our present campaign gains momentum and it is highly desirable that Departments should be encouraged to play their part where possible. I hope, therefore, that it is accepted

that where Departments achieve financial savings on energy they should as an incentive be allowed to keep the benefit for other programmes. We have a policy interest of showing that Government practices what it preaches.

I am copying this letter to recipients of yours.

A handwritten signature in dark ink, appearing to read 'Peter Walker', written in a cursive style.

PETER WALKER



GOVT MACH 1 Rayner
PC 15

24 MAY 1964





SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CCNYO

*nhp
JMB
31/5*

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

24 May 1984

Dear Peter,

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM (PRS)

I have seen Patrick Jenkin's letter to you of 25 April about certain proposed changes in the PRS arrangements and also your response of 11 May.

I strongly support the views expressed by both Michael Heseltine and Michael Jopling in their letters to you of 9 and 11 May that the proper way to deal with the problem of finding additional resources required for maintenance and minor works is for Patrick Jenkin to continue to make a bid in respect of PSA which if successful should then be shared around departments by addition to their PRS provision. It should not simply be left to departments in this or any later Survey to have to find from elsewhere in their programmes whatever extra resources PSA claim they require for these purposes.

I also agree that the introduction of the new basis for assessment for rent and rates should be deferred until 1986-87 by which time I hope PSA should have reliable figures available on which to base their calculations. To avoid any repetition of the difficulties which many of us experienced and are still experiencing as a result of the earlier PRS distribution of PES resources I must insist that the transfer to the new system should be accompanied by a series of self-balancing PES adjustments between departments currently over-charged and those currently under-charged. With sufficient advance warning I do not see why that should present any difficulties.

I understand that the interdepartmental committee is also looking at the possibility of extending departmental responsibilities to include internal decoration. If it is decided to proceed with that I would need to be assured that the transfer of responsibility was not just another means of off-loading responsibility to departments for the neglected maintenance of the civil estate by PSA.

I am copying this letter to the Prime Minister, all members of the Cabinet, other Ministers in charge of Departments, and to Sir Robert Armstrong and Sir Robin Ibbes.

*Yours
wv.
George*

Govt Machinery : Raynes #15

1953

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UNITED STATES GOVERNMENT
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C. 20250

15

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
WASHINGTON, D. C. 20250

1. The purpose of this report is to provide a detailed description of the land area described in the title hereof. The land area is located in the State of California, County of San Diego, and is more particularly described in the title hereof. The land area is owned by the United States of America, Department of the Interior, Bureau of Land Management, and is being offered for sale to the highest bidder.

2. The land area is situated in the State of California, County of San Diego, and is more particularly described in the title hereof. The land area is owned by the United States of America, Department of the Interior, Bureau of Land Management, and is being offered for sale to the highest bidder.

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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

The Rt Hon Peter Rees QC MP
Chief Secretary
Treasury
Parliament Street
London SW1P 3AG

*nbpm
BUB
24/5*

23 May 1984

Dear Peter.

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM (PRS)

I have seen Patrick Jenkin's letter of 25 April to you proposing changes in PRS arrangements and also comments from colleagues, including your letter of 10 May.

I welcome the proposal that rents and rates should be assessed on an individual building basis but agree with colleagues that the changes should not come into effect until 1986/87.

But I am uneasy about the proposals for dealing with maintenance and minor works, involving an increase in charges, unrelated to specific works, of 23%. While I recognise that there has been under-provisioning and that the VAT change will make things worse, the proposals are too late in the day, as you say, for them to be accommodated in the 1984 Survey.

So far as I can see, the broad brush approach of a 23% increase in the works element to allow PSA more funds gives Departments no means of checking whether they are getting value for money from the works services element of the accommodation charge because the increase would be unrelated to actual work. Further consideration needs to be given to this collectively before such changes are brought into effect.

I am copying this letter to Patrick Jenkin and the other recipients of his letter.

Ann. Keir

Govt Mach: Raynes #15

2/15



CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street
London SW1P 3AL
Telephone 01-233 8610

23 May 1984

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AG

*n b p m
JMS
23/5*

Dear Chief Secretary,

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM (PRS)

I have seen your exchange of letters with Patrick Jenkin about the development of the Property Repayment Services system (PRS) and particularly its implications for PES. I have also seen some contributions to the debate from departmental Ministers.

I think the discussion in the correspondence of who should justify to the Treasury the need for extra spending on maintenance, PSA or departments, exposes the logical flaw in the arrangements as they stand at present. Departments are responsible for meeting the cost of maintenance: we are agreed that that is right and it is the essence of the PRS system. But departments have no control over the amount of maintenance that is done, even though it is the departmental local manager who is faced with the immediate and tangible effects of a lack of maintenance. As Michael Jopling pointed out, departments cannot even ensure that the money they pay PSA will be expended on their own accommodation.

Given this underlying weakness, I think your suggestion of a forward programme for three years ahead, agreed between Treasury and PSA, is the best way to deal with the immediate problem. But it is important that departments should be consulted on the programme and I trust arrangements will be made to do this. Even so, I think that this solution is basically a short-term one. In the longer term we should be aiming for arrangements which allow departments

more control over the way their money is spent. I do not attempt to suggest here exactly what form such arrangements would take: much more work needs to be done. Something may come out of the multi-department review of accommodation, but some arrangements will definitely be needed in order to tackle the long-term problem.

I support you in regarding spend-to-save projects as of the highest priority and I have asked my officials also to keep in touch with this. Again, examples are likely to arise in the context of the review of accommodation.

Meanwhile from a domestic point of view, as it were, I should like to add the voice of two small departments to that of larger ones on the difficulty of finding extra money to meet an increase in the Accommodation Charge. PSA's charges are a significant proportion of our total expenditure and a 4% increase would be impossible to absorb. If an increase is agreed on the basis of three year forward programme I would therefore be seeking increased PES provision.

I am very much in favour of the proposal to charge individually assessed rents and rates which is an important improvement in the PRS system. I am willing to see its introduction delayed until 1986/87 if this is necessary to ensure a smooth transition from the present averaged rents. What I say above on the problems for small departments of finding extra money applies here also.

I am copying this letter to the Prime Minister, members of the Cabinet and other Ministers in charge of Departments and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours faithfully,
David Phipps

LORD GOWRIE

(Approved by Lord Gowrie and signed in his absence)

Cost. Machinery: Hayes Pt 15.

20 APR 1984





2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

23 May 1984

*nb pm
JMB
23/5*

Dear Peter,

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES (PRS) SYSTEM

Thank you for your letter of 10 May.

I am glad to see that you endorse the principle that extra maintenance work which is needed will have to be funded through PRS charges. I had already accepted in my letter of 25 April that it must be for the Treasury, acting for all Departments, to check the assessments of the increase in spending required. This I hope meets the points made by you and colleagues on this subject in this correspondence.

I am, however, surprised by what you say about lack of progress in establishing maintenance needs. We had believed that, in consultation with your officials, we had gone a long way to compiling the forward programme to which you refer as well as in examining the general issues involved. Following correspondence last December, PSA asked its territorial organisation to make a complete review of maintenance needs over the three years 1985-86 to 1987-88, related to the agreed provisions for 1984-85. This identified both the minimum annual level of spending which ought to be achieved and the backlog of work which has built up and will need to be tackled over the next few years. At a meeting on 8 March between PSA and Treasury officials attended also by Nigel Mobbs there was a careful examination both of the funding requirement and of the associated general issues. Whilst it was agreed that the three year programme needs to be further refined, as PSA intends to do in the context of the preparatory work starting soon on the 1985-86 Estimates, and some of the general issues pursued, we understood that the Treasury accepted that enough work had already been done to justify making progress with the proposals. With this in mind we deliberately limited the proposals for extra spending in 1985-86 to only half what the assessed requirements indicate is needed to reach the minimum level of spending and make a start on dealing with the backlog, leaving a very large safety margin to cover any risk there may be that further refinements of the figures may alter the assessments.

Govt Mach. Raynes R 15

Time has of course moved on since I wrote to you in April, and the 1984 Survey is now in full swing. I accept therefore that it may now be too late to go ahead with the increased PRS charges in 1985-86. In the circumstances I will make an additional bid for extra funds for that year in the PSA's 1984 Survey chapter, on behalf of all departments, as suggested in Michael Heseltine's letter of 9 May to you. There should then be no difficulty over the timing of the arrangements for funding in 1986-87 and later years as we can settle the requirements well before the 1985 Survey starts.

I should however point out that this will have some awkward consequences for minor new works in general and spend-to-save in particular in 1985-86, since the proposal to increase the PRS charges in that case was intended mainly to cover the effect of the changes in VAT. The extra cost of VAT will reduce the amount of such works we can carry out within existing provisions by about 13%. This cut will fall both on the amount of work done to meet departments' operational requirements and on the smaller spend-to-save schemes, many of which fall into the minor new works category. We are also as you say looking at how we could finance the larger spend-to-save works which fall outside the PRS arrangements and these are the subject of proposals in the 1984 PSA Survey chapter. But VAT will cut back the amount of these schemes we can afford too and I do not see how we can avoid the programme being reduced as a result, even though some schemes would yield very large savings - to occupying departments as much as to PSA.

Finally your letter and the others so far received indicate that, as I suggested, whilst we should go ahead with individually assessed rents they should not be introduced until 1986-87, and we shall proceed on this basis.

✓ I am copying this letter to those who received the earlier correspondence.

Your ever
Patte

PATRICK JENKIN

23 MAY 1984

23 MAY 1984



a no

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon M Jopling MP
Minister of Agriculture, Fisheries
and Food
Ministry of Agriculture, Fisheries
and Food
Whitehall Place
LONDON
SW1A 2HH

*DMG
18/5*

17 May 1984

Dear Michael

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM

Thank you for your letter of 11 May about the PRS system. Michael Heseltine wrote to me on broadly similar lines on 9 May and I have also seen a copy of Geoffrey Howe's minute of 14 May to Patrick Jenkin.

You will have seen a copy of my letter of 10 May to Patrick, explaining that I consider the issues need further examination and that it would be premature to increase charges from 1 April 1985.

However, the principle that user Departments should be required to meet the cost of any essential additional maintenance work is clearly right. You will see, therefore that I have asked Patrick to ensure that the necessary ground work is completed in time to allow a scheme on the lines of his proposal to be considered for introduction in the 1985 Survey.

I am copying this to the recipients of your letter.

Peter Rees

PETER REES

GOVT. MAZDA: Rangas P-15-



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nbpm
JMB
17/5

PRIME MINISTER

After my presentation to you and your colleagues last Thursday you asked me to circulate a copy of the text of my talk, the slides I used, and the charts showing the procedures necessary to take on an employee and to set up a business (I am indebted to Mr Trippier for the information in these charts). The last two pages of the text consist of a checklist and some practical suggestions for action on value for money that I hoped Ministers might find useful.

This text is as near a verbatim record as I can manage to produce, and I have not attempted to write a more polished paper.

I am copying this minute and its attachments to Cabinet Ministers, to the Minister of State, HM Treasury, the Minister of State, Privy Council Office, and to Sir Robert Armstrong.

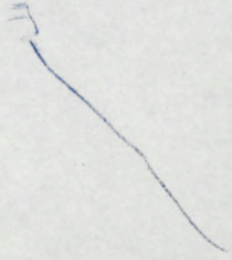
ROBIN IBBS
15 May 1984



Faint, illegible text in the upper middle section of the page, possibly bleed-through from the reverse side.

Large, faint, mirrored text in the center of the page, appearing to be bleed-through from the reverse side.

16 MAI 1984



SIR ROBIN IBBS' PRESENTATION TO CABINET MINISTERS: 10 MAY 1984

It's sometimes said, you get what you pay for; and that advice is worth what you pay for it. Mine comes free so it may not be worth much. I shall therefore speak with some hesitation and modesty. On the other hand, if you do gain anything from it, it will be good value for money.

I am not here to tell people running large Departments how to suck eggs. Rather I am going to offer some suggestions based on experience of large organisations in the private sector. If it sounds like a lecture, I apologise in advance. I believe it is better to produce positive suggestions, however mundane, than to waffle.

I have now spent 9 months looking at and being involved in the drive for efficiency in Government. What I have to say is perhaps elementary and obvious. The excuse for saying it is that 35 years' experience has taught me that without constant reminders and positive suggestions, although people mouth the right words on efficiency, too little is achieved. I should hate that to happen to this Administration which has made such a good start in this area.

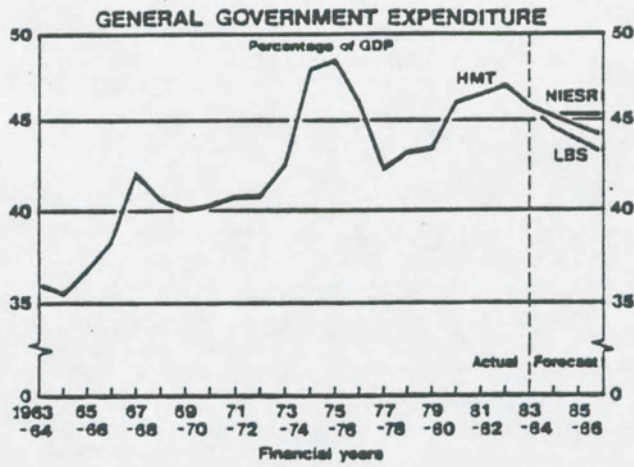
I have made 6 key observations:

1. Value for money is a good concept

- It is hard to argue against it.
- It has not yet gathered the coldness and emotional overtones of efficiency and cuts.
- It's positive.
- The aim is to improve performance, not just cut numbers.

2. Public Expenditure has to be held - better value offers greater output

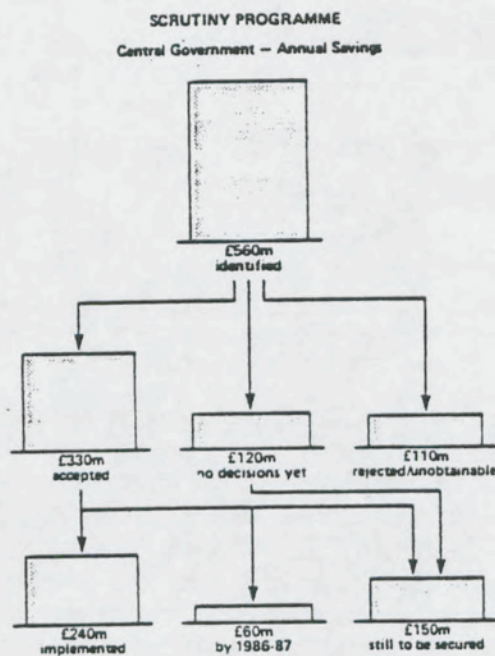
You have set the policy - Public Expenditure totals to be flat for the next 3 years. There will be an inevitable clamour and pressure for more services. The only way to provide these is by getting better value from the financial resources already available. This is what we have learned to do in industry - get more output from the available income. It is quite amazing how fresh improvements can continue to be achieved, long after the initial easy objectives have been tackled. But I do not underestimate the struggle that will be involved in holding public expenditure after its remorseless growth for many years.



3. Much already achieved

The achievements already of this government on efficiency are notable. Civil service numbers are down, on target, by 100,000 to 630,000. Running costs are down by £330 million a year. Even local authority numbers have turned down slightly. NHS numbers are just about stabilising at 1,007,000 and some bold stands and new initiatives have been taken by Ministers on the NHS.

Across all Departments the scrutinies typically have saved 5-10% of the running costs reviewed. What has been achieved by scrutinies can be shown as follows:



The least satisfactory feature is the £120 million of identified savings still waiting decisions, and the consequent figure of £150 million still to be secured. It is wasteful and demotivating if savings are clearly identified but not followed up.

Saving £330 million is small in relation to total public expenditure, but:

The saving is worthwhile and not trivial

It demonstrates:

- improvements can be made
- your determination is succeeding
- there is a good foundation for more ambitious value for money targets - whether these are achieved by scrutinies or other means does not matter.

Examples of current targets include:

- Initiatives in the NHS
- The RAF Support Area Economy Review
- The Reorganisation at the top of Defence.
- The progress on improved efficiency in the prison service.
- The review of the effectiveness of the urban programme.

The progress so far shows the commitment to action, not just reviews and reports. That is good news.

BUT what is still to be done is vastly greater than what has been achieved. The running costs of central government and the armed forces still amount to £5.50 a week for everyone in the country. There is evidence that last year running costs went up by 6.3% - significantly more than the rate of inflation.

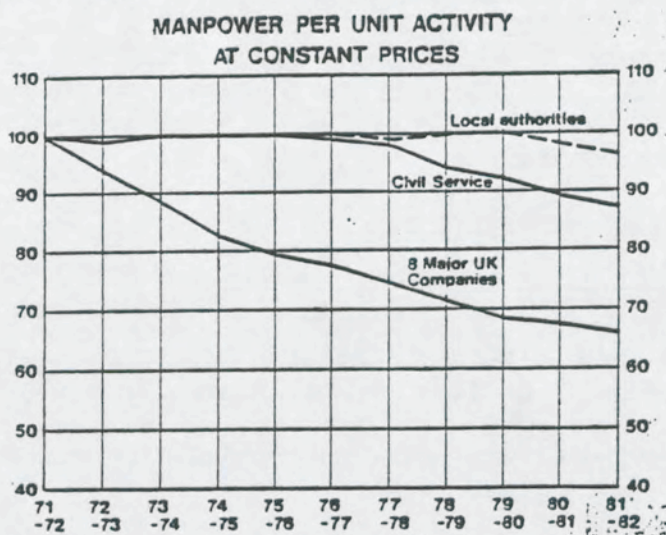
There are plenty of examples of the burdens that are still around. For instance, in an area with which I have personal contact, I wanted to show you what is still involved if you want to employ somebody. I am grateful to Mr Trippier who has had the information collected. I wanted to put it on a slide, but the items are so numerous I couldn't get it on a slide, or two slides, or three. So I put it on a chart, but it still has to be so compressed that you cannot see it.

I also wanted to show you what is still involved if you want to start a business. I had exactly the same problem.

[Reduced copies of the charts are annexed]

By contrast, a minor anecdote. In one Department there is a room set aside for trainees to drink coffee in. About 2000 cups a year are drunk there. The room is used for nothing else. The accommodation charge is £18,000. That is £9 per cup of coffee, without even considering the cost of materials or of making it.

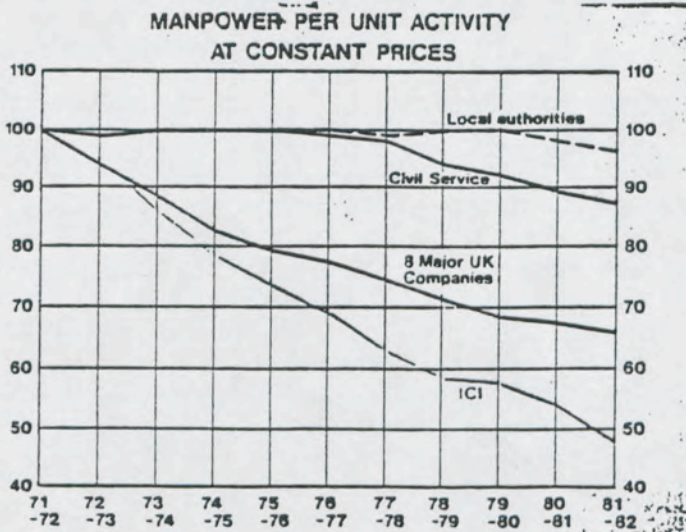
There is immense potential for improvement. If we consider manpower, the classic concept of productivity is output per man, or the inverse. In the public sector output is often difficult to measure, but I have attempted for demonstration purposes to indicate activity in terms of "final consumption of resources". We have compared this with the productivity gain by a sample of 8 large private sector organisations:



It is possible to quibble over the finer points of this comparison, but some things are quite clear:

- nothing much happened in the public sector until 1979.
- the downward trend since then does not compare too badly with that in the private sector.
- the private sector experience shows that the process can go on and on - resist the cry "we got the big savings last year - there's not much left". It's the easy savings that are obtained first, not the lot or the greatest. The process can continue for years: there must be an eventual limit but you are not near it yet.

The eight private sector companies do not include ICI - I did not want to push ICI at you. Then I thought somebody might think "What poor performance is he trying to hide?". So I have also put ICI on.



4. Far more still available

There's plenty to go for on improved value for money in the public sector - in programme money as well as running costs. Just 1% improvement offers:

EVERY 1% IMPROVEMENT ON FINAL EXPENDITURE
(EXCLUDING TRANSFER PAYMENTS) IS WORTH £690 MILLION

£million, 1983 - 84

115	Central Government Wages
75	Warlike defence procurement
85	Other Central Government procurement
190	Local authority wages
80	Local authority procurement
80	NHS wages
65	NHS procurement
<hr/>	
690	TOTAL
<hr/>	

Of course, getting even 1% is not easy. It's painful. It means change. And it is change that people resist, not efficiency. Getting it successfully demands political skill; but there is an obvious political pay-off.

5. Senior civil servants are ready to deliver better value for money

My discussions with them convince me of this. They do not want the civil service to be seen as "the last bastion of inefficiency" in a country that is otherwise steadily improving. The culture is to provide what is asked for. The concept of being concerned with value as well as service is less familiar, but it is not rejected.

The big change that is needed is to see money as a resource to be made the most of - not as a constraint to be moaned about. There needs to be widespread recognition that the best brains can properly be deployed on using money to best effect - rather than concentrating the best brains on trying to get more (which then ensures that the best brains in the Treasury concentrate on stopping them: there's something wasteful about that process).

Civil servants, in my view, will do what is asked of them. They need to be convinced you mean it. If you want better value for money and are prepared to steer the necessary changes over the inevitable political hurdles, you will get it. But Departments must know you are determined. They will spot instantly if it is just talk.

6. Motivation and leadership are crucial

This is the lesson from industry. What the boss thinks matters, gets done. The interest you display is vital. You do not have to manage the process of getting better value, if lack of time and other pressures rule this out. (If you give yourself too big a role and then have not the time you can actually slow things down). You do have to demand that the process of getting better value shall be managed. I have been impressed by the role junior Ministers play in this in some Departments. But this is no substitute for the boss being obviously interested.

One key is the time you devote to it. If you devote time regularly, it does not need to be a lot. But it must be a keen interest, not perfunctory.

Another key in the leadership role is the prevention of cosiness:

- reviews in which interested parties wield major influence
- reviews where the terms of reference are constructed to exclude the nub of the problem
- reviews where vague recommendations are allowed to be sufficient.

You have to insist that action must be the outcome. If there is no action, nothing much is achieved.

I should also stress the importance of targets. In the private sector we have profit as the spur, and other targets are less important. You need targets (realistic not ridiculous - you can always come back for more next year):

- to concentrate attention
- to induce a sense of shame (nobody wants to be seen to have failed)

You need targets for value for money improvement and for running costs. I have corresponded with you all on this. Your department's targets represent a useful start but they need more sharpening. Targets need to be specific, quantified if possible. I want the central scrutiny programme to be selected to back up your targets.

Finally the Financial Management Initiative. This is at the heart of an important management change in the civil service. I believe Ministers have to insist that Departments make the Financial Management Initiative work.

Since it is only action that matters, I have produced out of all that the following checklist and some simple practical suggestions.

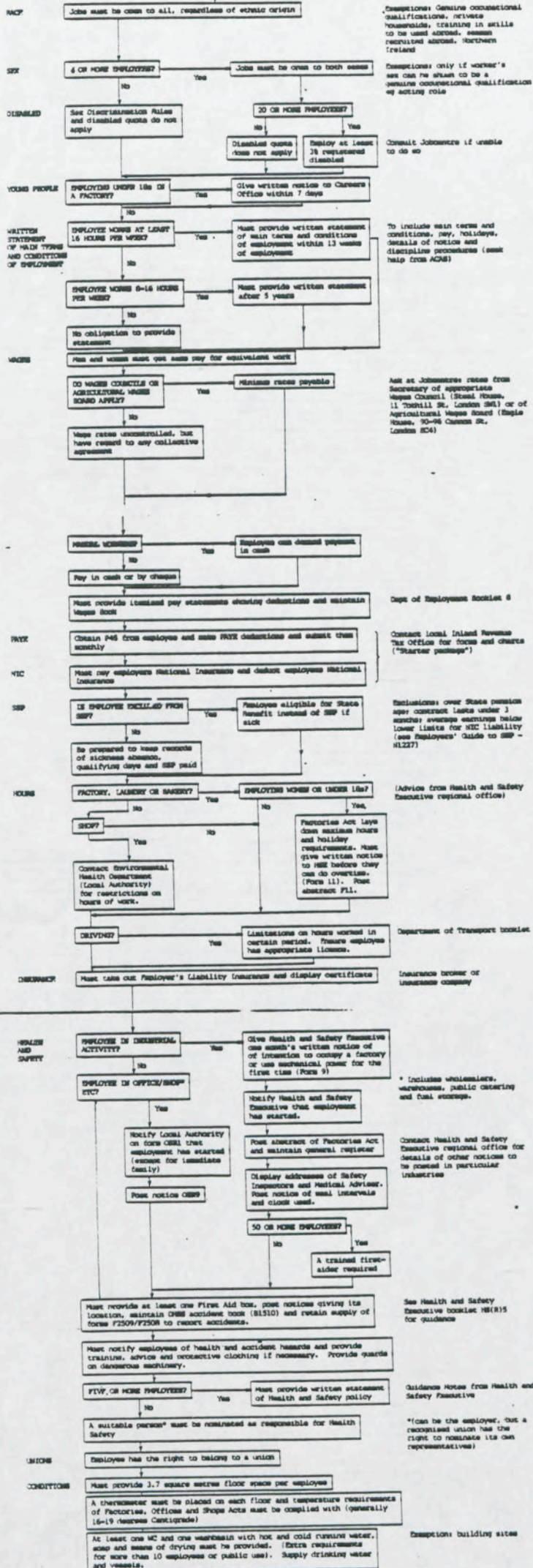
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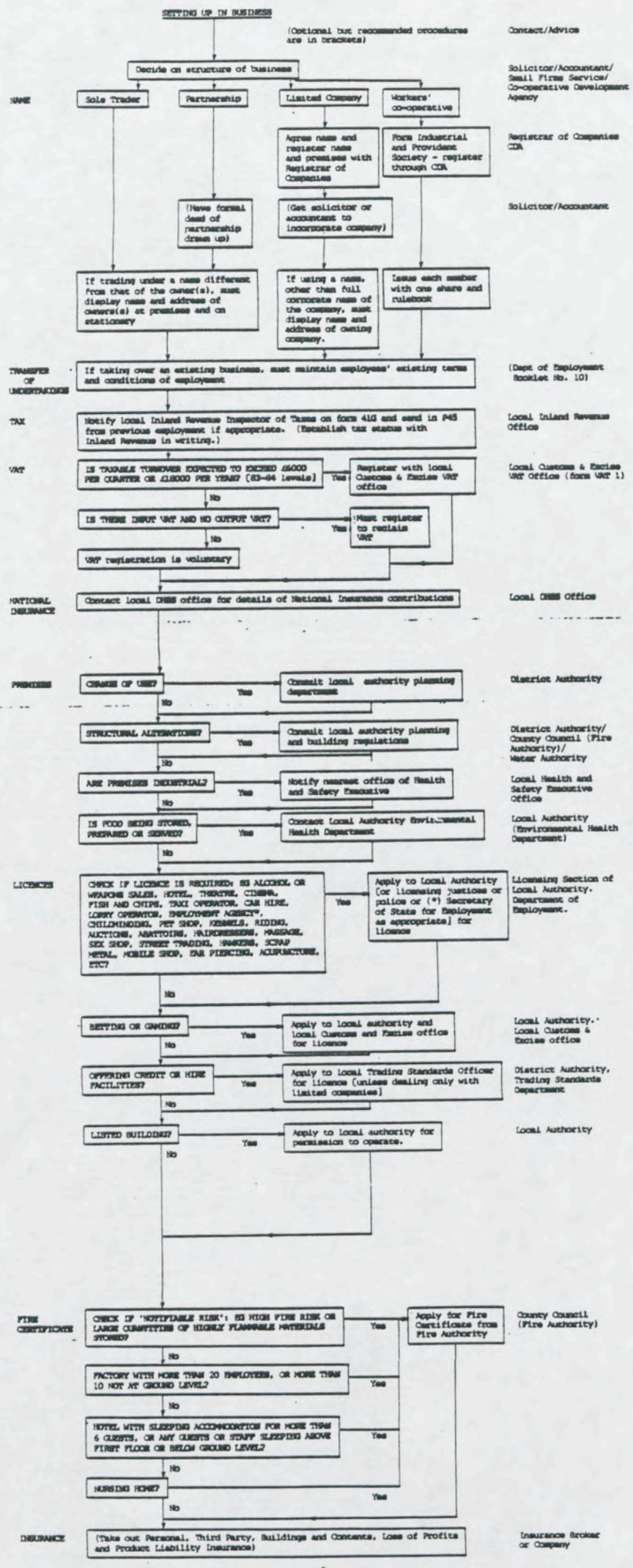
1. IS YOUR DETERMINATION TO ACHIEVE SUBSTANTIALLY BETTER VALUE FOR MONEY KNOWN THROUGHOUT THE DEPARTMENT?
2. DO ALL LINE MANAGERS ACCEPT THAT SECURING BETTER VALUE FROM THE LARGE SUMS OF MONEY SPENT IS PART OF THEIR JOB? PROGRAMME MONEY AS WELL AS RUNNING COSTS.
3. ARE YOUR TOP MANAGEMENT SYSTEMS REVEALING THE OPPORTUNITIES FOR BETTER VALUE, AND PROVIDING EVIDENCE OF IMPROVEMENTS? IS THE FINANCIAL MANAGEMENT INITIATIVE ALIVE AND WELL?
4. ARE REVIEWS AND THE MANAGEMENT COSY? ARE TARGETS AND ACHIEVEMENTS QUANTIFIED? IS ATTENTION CONCENTRATED ON THE RICHEST OPPORTUNITIES?
5. DO REVIEWS RESULT IN SUBSTANTIAL POSITIVE EFFECTIVE ACTION?
6. DO YOU HAVE A WEEKLY SESSION (OR EQUIVALENT) TO SET TARGETS AND EXAMINE PROGRESS SO THAT YOUR DEPARTMENT NEVER FORGETS YOUR DETERMINATION TO ACHIEVE BETTER VALUE?

SOME SUGGESTIONS

1. INSIST on the best opportunities for improvement being selected.
2. CHALLENGE every review for cosiness:
 - in the terms of reference
 - in the recommendations
 - in the suppression of good options
3. INSIST that serious efforts are made to quantify outputs for all new proposals.
4. ENSURE that accepted recommendations are implemented rapidly.
5. DEVOTE, say, half an hour a week to better value for money.

TERMS OF AN EMPLOYEE







file

Bre

10 DOWNING STREET

From the Private Secretary

SIR ROBIN IBBS
EFFICIENCY UNIT

Value for Money

My letter to Janet Lewis-Jones of 10 May records the Prime Minister's decision to hold regular meetings with small groups of Ministers and Permanent Secretaries to discuss value for money.

I should be most grateful if you could put forward proposals for a programme of such meetings for the Prime Minister's consideration. On the question of attendance, could you please take into account Sir Robert Armstrong's minute to me of today's date, which was copied to you, and also a request which I have received orally that the Chief Secretary should be involved in this series of meetings.

I am sending copies of this minute to Mr. Gieve (Chief Secretary's Office), Mrs. Brown (Lord Gowrie's Office) and to Sir Robert Armstrong.

DBB

David Barclay

15 May 1984

As says no action needed so/s.

Bre

Ref. A084/1455

MR BARCLAY

In your letter of 10 May, recording Sir Robin Ibb's presentation on value for money, you said that the Prime Minister proposed to hold regular meetings with small groups of Ministers and Permanent Secretaries to discuss the actual improvements in value for money which their Departments had made in the recent past, and the prospects for further progress.

2. No doubt Sir Robin Ibb's will be invited to attend those meetings. I very much hope that invitations will also be extended to Lord Gowrie and to me. The Cabinet Office (MPO) is a partner with the Prime Minister's Efficiency Unit in the drive for efficiency, and is contributing to the work; and I am anxious that it should be demonstrated to Permanent Secretaries that I am wholeheartedly with the drive for better value for money in the public service.

3. I am sending copies of this minute to Mrs Brown and to Sir Robin Ibb's.

RA

ROBERT ARMSTRONG

15 May 1984



cc 1/0

nbpm
ONS
14/5

FCS/84/141

SECRETARY OF STATE FOR ENVIRONMENT

Development of the Property Repayment Services System (PRS)

1. I am grateful to have the opportunity to comment on your letter of 25 April to the Chief Secretary and Cabinet colleagues.
2. You ask us whether the application of the accommodation charge to individual buildings rather than to broad categories of buildings should start in 1985/86 or 1986/87. I share your preference for waiting until 1986/87 when client departments will have a better idea of how the change will affect them. Any further uncertainty about what our bill will be for 1985/86 could have serious implications for my position in the 1984 Public Expenditure Survey. The FCO already faces a £2.4 million gap between the total PRS charges we pay and the PES transfer we received.
3. In principle, assessment by individual building should remove such absurdities as the FCO Main Building suffering a 19% increase in notional "rent" in 1984/85 whereas the neighbouring Treasury building had virtually no increase. Though both buildings are government-owned, they were deemed to be in different categories for "rent" purposes.
4. I would also favour deferment of your other proposal to increase the accommodation charge by about 4% to finance further maintenance work and to require each Department to make an appropriate additional bid in PES. I am concerned that this will worsen one defect of PRS whereby Departments are having to accept increased responsibility for financing maintenance and other expenditure without control over where PSA spend it. But I fully share your wish to ensure that the total funds available for maintenance of the Civil Estate are kept at a satisfactory level. I am conscious that a considerable proportion of these funds will be needed for the 12-year plan to refurbish the main FCO building which has just begun. This plan has been subject

/to

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to some 20 years of delays and I believe it should be given a very high priority in the list of major maintenance works to be undertaken by PSA. Slippage in such projects ties up prime office space and forces us to spend money on accommodation elsewhere. This is thoroughly uneconomic.

5. The Overseas Estate, which we took over from your Department last year, has also suffered from lack of maintenance over the years. I believe the remedy lies in greater freedom to recycle our assets. We need more end-year flexibility and the capacity to sell property at the optimum moment, as private estates do. Present government accounting rules prevent us from using receipts which have not been predicted well in advance of the Estimates year concerned.

6. I am copying this letter to the Prime Minister, the Chief Secretary, Sir Robert Armstrong and Sir Robin Ibbs.

A handwritten signature in black ink, appearing to be 'G. Howe', written in a cursive style.

GEOFFREY HOWE

Foreign and Commonwealth Office

14 May, 1984

Govt. Machinery: Raynes Pt 15.

44 MAY 1984





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

From the Minister

The Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

upon
ans
11/5

11 May 1984

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM

I have seen Patrick Jenkin's letter to you of 25 April about PRS. *with sb*

I must question the basic approach which he suggests in relation to PSA's proposal to increase expenditure on maintaining the civil estate. Patrick makes it clear that the proposal is to deal with a large backlog of work which the PSA consider needs to be done. Presumably this backlog has arisen because, prior to the introduction of PRS, PSA could not establish with the Treasury that the case for carrying out the work ranked high enough in our expenditure priorities for money to be allocated to it.

Surely it is intended that under PRS there should continue to be some effective constraint on PSA's decisions of this sort. This constraint cannot be applied by Departments like mine. The money we pay PSA for maintenance under the accommodation charge is not necessarily even expended on our accommodation. Certainly we are in no position to question PSA's judgement about how much needs to be spent on maintenance.

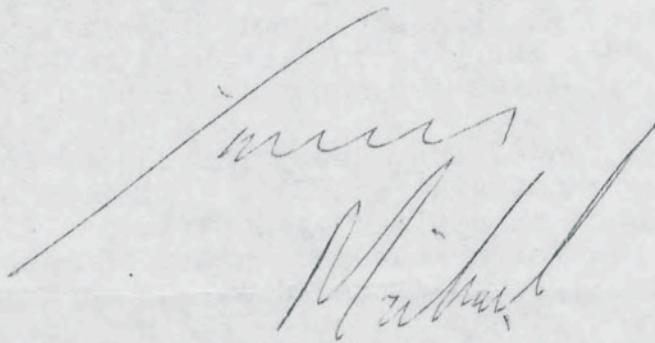
A proposal for the sort of across the board 23% increase now being proposed clearly requires central scrutiny. If it is decided that the extra work needs to be done in order to allow PSA to meet their responsibilities for maintaining departments' accommodation, it follows that the original PES transfers for PRS were inadequate, that PSA should be allowed increased provision and that this should be transferred to Departments in the same way as the original PES transfers for PRS.

/PRS is the ...

PRS is the largest system of recharging within Government. It is important that it should be seen to operate in a sensible way. Handling increases of the sort now proposed in the way suggested would seem to leave PSA free to carry out whatever work they deemed necessary and simply to pass on the costs to Departments to try and fit in with their priorities. This would certainly not be in accordance with principles of responsibility and accountability which we are trying to reinforce through the financial management initiative.

Turning to another aspect of Patrick's letter, I note what is proposed about the introduction of individually assessed rents and rates. I think that it would be unsatisfactory at this late stage to try to introduce the new arrangements before 1986/7. Moreover, if the new arrangements lead to some Departments facing significant net increases in their accommodation charges, it clearly may not be possible for them even then to find the necessary funds from within other parts of their budgets. This is something which will need to be looked at further when the detailed figures have been sorted out.

I am copying this letter to the Prime Minister, and all members of the Cabinet and other Ministers in charge of Departments; and to Sir Robert Armstrong and Sir Robin Ibbs.

A handwritten signature in cursive script, appearing to read 'Michael Jopling', written in dark ink. The signature is fluid and somewhat stylized, with a long horizontal stroke at the beginning.

MICHAEL JOPLING

SUBJECT
C. Master Set



CC HD MAFF C&O
LCO SO WPSO CO
HM/T DOE D/N EU
F/O WO D/M
DES DTI C&L
NIO DOT CWO
MOD DTES Lord Gowrie

FILE
BM

10 DOWNING STREET

From the Private Secretary

10 May 1984

Dear Janet,

PRESENTATION ON VALUE FOR MONEY

At the request of the Prime Minister, Sir Robin Ibbs gave a presentation to Cabinet Ministers today on the subject of value for money. A transcript of Sir Robin's talk is being circulated separately, together with copies of the illustrations he used.

The following were the main points to arise in the subsequent discussion:

- i) Even systems for resolving disputes between departments which were themselves rational and defensible could on occasions produce nonsenses. It was at this point that Ministers needed to intervene to ensure a sensible outcome, consistent with the Government's overall objectives. The Secretary of State for Trade and Industry drew attention to one example in his Department relating to accommodation, where there was in his view a danger of his programme expenditure being cut to "finance" a net saving to the public sector.
- ii) Whilst it was true that motivation could be improved by targets which gave rise to "a sense of shame" when they were not achieved, a system of appropriate rewards and advancement for effective staff was equally necessary. Moreover, departments had a special obligation to keep track of junior staff who had demonstrated at an early stage in their careers the ability to promote improved value for money.
- iii) In the last resort, proposals for improved efficiency had to be judged by the action which

SLIABV

/ Ministers themselves

da

flowed from them. Whilst it could be argued that Ministers themselves were too busy to take charge of implementation directly, it was essential for them both to demonstrate the necessary determination and to make a clear allocation of managerial responsibility.

- iv) In addition to the value for money offered within the public sector, a programme of efficiency reviews could usefully look at the "compliance costs" of Government procedures - that is to say, the costs which they imposed on those who had dealings with Government.
- v) Notwithstanding the reductions in manpower which had been made, there was a widespread feeling that the Government estate could be managed much more effectively. As in other areas, much depended on the quality of the individual manager in overall charge.
- vi) Although there was a theoretical limit to how far value for money could be improved, there was in practice a great deal further to go. For example, contracting out the management of some public sector activities, as was done in the United States, could bring significant benefits. The limit for reductions in Civil Service manpower had by no means been reached.

Summing up, the Prime Minister said that she was most grateful to Sir Robin Ibbs for his presentation, which had underlined both the importance of value for money within the Government's overall objectives, and the central role which Ministers themselves could play in sustaining momentum. She proposed to hold regular meetings with small groups of Ministers and Permanent Secretaries to discuss the actual improvements in value for money which their departments had made in the recent past, and the prospects for further progress.

I am copying this letter to the Private Secretaries to members of the Cabinet, to Murdo Maclean (Chief Whip's Office) and Paul Cann (Lord Gowrie's Office), and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours ever,
David
(David Barclay)

Miss Janet Lewis-Jones,
Lord President's Office

SLIABV



Treasury Chambers, Parliament Street, SW1P 3AG

10 May 1984

Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
London
SW1P 3EB

Patrick Jenkin

*nbpur
sub
11/5*

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM (PRS)

Thank you for your letter of 25 April, about the development of the Property Repayment Services System (PRS) and its implications for this year's Public Expenditure Survey.

Accommodation Charge - Works Services

The principle that user Departments should be required to meet the cost of any additional maintenance work that is required for the civil estate is an important one. However, the Treasury will need to agree how much extra spending by PSA on maintaining the estate can be justified and afforded, before the Accommodation Charge is increased to meet it. As I suggested in my letter of 2 December, we really need an examination of the general issues of planning, allocating and controlling this expenditure, and a comprehensive forward programme looking at least three years ahead. I am disappointed that more progress has not been made this year; and I do not see how the question of the level of expenditure can be taken further until a thorough appraisal of the issues has been completed and a proper plan prepared.

User Departments also need enough time to make their plans for meeting increased costs. They are now well into their work on the 1984 Survey, and it would be extremely difficult at this stage to tell them that they should reckon on meeting an addition of 4% to the total Accommodation Charge from 1985-86 onwards. In the absence of the evidence which might come from a forward-looking programme, based on a thorough review, I am not satisfied that there is a good enough case for the increased expenditure you have proposed of some £20m to £25m a year, over and above the increase accepted in the last Survey.

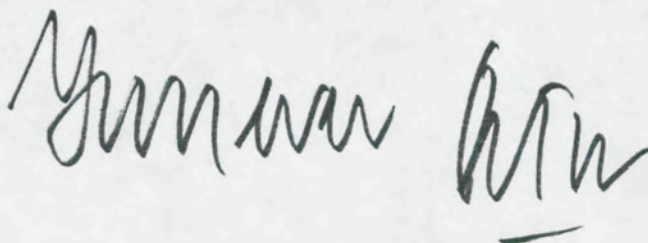
I hope that it will be possible for you to ensure that progress is made in time to allow a scheme of recovery from Departments, on the lines you have proposed, to be considered for introduction in the 1985 Survey. For this purpose the examination of the issues will need to be completed, and agreement reached with the Treasury on a fully-costed forward programme, no later than the end of the year.

Finally you also referred to the problems of financing work on spend-to-save measures. In view of the cost-effectiveness of such measures, I hope that, in allocating funds, you will be able to give them the priority that they clearly deserve. I am glad, therefore, that you are exploring ways and means of increasing spending in this area. I have asked my officials to keep in close touch with yours on the progress of that exercise.

Accommodation Charge - Rents and Rates

I agree that it would be unwise to introduce new arrangements for assessing rents and rates, on an individual property-by-property basis, until 1 April 1986. A major refinement of this nature will need to be properly planned if we are to avoid the problems experienced after PRS was introduced.

I am copying this letter to the recipients of yours.

A handwritten signature in dark ink, appearing to read 'Peter Rees', written in a cursive style.

PETER REES

CENO



QUEEN ANNE'S GATE LONDON SW1H 9AT

9 May 1984

2 Peter,

*nbpm
DMS
11/5*

AUDIT COMMISSION: VALUE FOR MONEY

Attached

I am afraid I have been unable to respond before now to your letter of 6 March, which reached me comparatively recently. You asked, in particular, about the relationship between the Inspectorates in the Home Office (police, probation and fire) and the Audit Commission.

Your officials will be aware, through our periodic reports on the development of the Financial Management Initiative in the Home Office, of the work we have done to enable the Inspectorates for the police and probation services to base their judgments of efficiency on better information, and your letter acknowledges this in respect of the police. As part of my current review of control over the use of resources by the fire service, I am considering how to develop the role of the Fire Service Inspectorate to include an "efficiency" function.

I am sure you are right to point to the need for contact between Departments having responsibility for local authority services, and the Audit Commission. The Police, Criminal and Fire Departments of the Home Office are all alive to that need, and to the particular need to develop exchanges between the Commission and the Inspectorates. Some useful contacts have already been made.

With the specific grant services we have to be alive, too, to the interests of the National Audit Office. That consideration does not arise in the case of the fire service, and with that in mind I have asked my officials to suggest to the Audit Commission that studies of that service by them would be timely and helpful, in addition to the work we ourselves shall be doing within our own resources, including the Inspectorate. I agree with Patrick Jenkin, however, that we should avoid anything which might prejudice the independence of the Commission.

From the Home Office point of view, it is still too early to say with certainty what is likely to be gained from the Audit Commission's work. Their

The Rt Hon Peter Rees, QC., MP.

/cont

Govt Mach: Rayner #15

work on the police so far (which is reported in their handbook) is helpful as far as it goes but contains few surprises. Also, while there is some overlap between the roles of the Audit Commission and the Inspectorates, we cannot overlook a separate Inspectorial function which is to see that agreed standards of service are maintained. Where Inspectorates have good reason for believing that a service is being under-provided for, they must be free to say so.

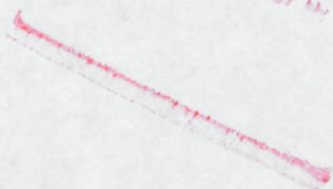
I hope that our officials will keep in touch over these various developments.

Copies of this letter go to the recipients of yours.

Law,
Law

1100 MAR 1984

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PRIME MINISTER

9 May 1984
POLICY UNIT

PRESENTATION TO CABINET MINISTERS ON VALUE FOR MONEY,
10 MAY 1984

Robin Ibbs is fighting valiantly to get Ministers to concentrate on the need for management, the importance of setting performance targets and following up to see if they are hit.

Over my years of work as an adviser to a private sector accounting firm on how to carry out value for money audits in local authorities and other public sector bodies, the points which always emerged were:

- 1) How few senior officials in public bodies understood the basic facts and figures about the "business" they were running;
- 2) How if an information system is installed to show them the basic facts and figures their attitudes and views start to change quite rapidly;
- 3) How the establishment of clear targets can raise morale and turn an official into a manager if the target is clear, realistic but stretching;
- 4) How important impetus from the top can be. The Permanent Secretaries and Deputy Secretaries in the Civil Service are the people who have to believe in the scheme and have to give it the necessary push. They will only be persuaded to do it if their Ministers keep on asking them questions about how much progress is being made and what understandable and simple targets have been established.

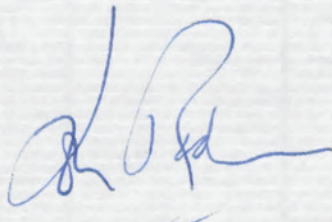
Reading through the materials from Robin Ibbs, as he says, the range of work is both varied and patchy. One general observation is that if the value-for-money approach is to succeed in Government generally, the first step is to use each Minister's MINIS system to identify the big areas and to go for savings in those.

It is a myth to think that you only get savings in small and peripheral areas where it is safe to let the Efficiency Unit loose. The Efficiency Unit is a small dedicated band and their help is needed in the biggest areas of Government where the most impact can be made. We try to work closely with them in the Policy Unit as there are many areas where policy review and efficiency review overlap - eg in the costs of benefit distribution and the complexity of benefit arrangements, in the costs of regulation and the complexities of regulatory systems, and in the criteria

LASAAO

established for judging the efficacy of job-creating and capital investment stimulating subsidies.

The final message the Seminar should convey is one of hope. When I helped educate local authorities in the ways of value-for-money management, I was greeted with scepticism. It has now become part of the system and the few good treasurers out to make their mark are keen devotees and exponents of the need for clear management information and for targets for management. If you go for the big areas and keep it simple the savings can be enormous. Robin Ibbs has a lot to contribute to Cabinet Ministers in this field.



JOHN REDWOOD

5-50 = week

Up by 6.3% on new in year

↳ my sample shows just

MINIS →

20,000

→

25-30% overnamed



MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 21/8/5

9^r May 1984

Dear Peter

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM
(PRS)

I have seen a copy of Patrick Jenkin's letter of 25th April in which he proposed certain changes in the PRS arrangements.

The proposal that rents and rates should be assessed on an individual building basis is very much in accord with the spirit of the PRS philosophy. I therefore welcome it. I agree that it would probably be advisable to plan on the basis that the new arrangements will come into effect in 1986/87.

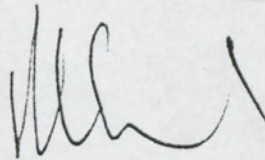
On the other hand I have considerable misgivings about how it is proposed to deal with maintenance and minor new works. As I understand the situation, the PSA is proposing to increase charges by a flat 23%, ie that increased payments will not necessarily reflect the incidence of the increased maintenance work, and some departments may have to pay further additional sums for as yet unidentified minor new works programmes. There appears to have been some deliberate underprovisioning, and the situation has been worsened by the VAT change. I am surprised that there has been no consultation between officials and that a proposition affecting 1984 PES should have surfaced so late in the PES process. I do not see how individual departments can be expected to explain and justify their situation to Treasury. I suggest that, before we take a decision, there is a

The Rt Hon Peter Rees QC MP



need for further consideration by officials and that, pending the outcome of such discussions, the PSA should negotiate with Treasury the increased PES provision necessary, because only they can do so.

I am copying this letter to Patrick Jenkin and the other recipients of his letter.

Yours truly


Michael Heseltine

Good Machinery #15
Raynor

MAY 1904



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DB

Carryme

Cabinet Office,
70 Whitehall,
London SW1 2AS

*Dubs
8/5*

8 May 1984

PS(84) 8

Dear Private Secretary,

Cabinet Meeting and Presentation on Efficiency,
Thursday 10 May 1984

It may be necessary to hold the next Cabinet meeting on 10 May in the House of Commons if Wednesday's debate on the Local Government (Interim Provisions) Bill runs into Thursday morning. If this is the case the Cabinet will meet at 10.00 am in the Prime Minister's room, House of Commons but the Presentation on Efficiency by Sir Robin Ibbs, which is planned to follow, will be postponed to a later date when it can be given in No 10.

Your office will be informed if the above arrangements become necessary but in the meantime you should assume that the Cabinet meeting at 10.00 am and the Presentation which follows are to be held in No 10.

I am copying this to Private Secretaries to all members of the Cabinet, the Chief Whip and the Minister of State, Privy Council Office.

Yours sincerely,

(Signed) LINDSAY WILKINSON (MISS)

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10 DOWNING STREET

From the Private Secretary

MR. BEESLEY

Value for Money Targets

Thank you for your minute of 4 May. The Prime Minister saw Sir Robin Ibbs' minute of 3 May about value for money targets over the weekend. She agrees with the suggestions in paragraphs 15, 17 and 18. She also agrees that a list of scrutinies should be published in the Financial Management White Paper (paragraph 16 of Sir Robin's minute).

I am sending a copy of this minute to Richard Hatfield (Cabinet Office).

David Barclay

8 May 1984

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MR. BARCLAY

Presentation on Efficiency - Thursday
10 May at 1130

We are in difficulties. There is an all-night sitting on Wednesday 9 May which may still be going on the following day. This means that we will have to have Cabinet at the House.

It is possible to have this presentation over there but I need to discuss this with you.

cl

4 May 1984

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DB to see

MR BARCLAY

VALUE FOR MONEY TARGETS

1. Sir Robin Ibbs put in a report to the Prime Minister on 2 May about Ministers' value for money targets and the scrutinies identified from MINIS-type systems. I doubt if the Prime Minister will want to pore over the details of what individual Ministers have said, but it would be helpful if she could have seen Sir Robin's cover note at least before his presentation to Cabinet Ministers on 10 May.

2. We have not sent copies of the document round Ministers. But if the Prime Minister agrees with the suggestions in paragraph 15 and paragraphs 17-18, it might be appropriate to record them in whatever note follows the presentation on 10 May. I expect that the points will emerge at the presentation but, if they do not, we may have to think again.

3. Additionally, however, Sir Robin would be grateful for the Prime Minister's approval now to go ahead with announcing the Efficiency Unit's programme of scrutinies - insofar as they are already agreed - in the Financial Management White Paper (paragraph 16 in the paper).

Ibbs

IAN B BEESLEY
4 May 1984

Prime Minister:

Re Efficiency Unit
advise that you do not need
to look at all the Departmental
Notes attached. Do you agree
to the action set out in paras 15-18?
You will also wish to keep
this in mind for the efficiency

CONFIDENTIAL

Yes mt

PRIME MINISTER

VALUE FOR MONEY TARGETS

1. Your Private Secretary's minute of 6 October said that you would welcome a report in due course on the extent to which MINIS systems are being used:

presentation
on Thursday

- to set targets for improvement in the value for money delivered by specific areas of administrative cost or policy;
- to commission scrutinies and other work as necessary to bring the improvements;
- to review progress in the achievement of lasting reforms in financial and staff management, and in implementing the findings of previous scrutiny work.

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2. Since then it has become clear that value for money is the right concept on which to focus all this work. This is a first report and I shall report again later in the year on further progress and other aspects.

3. Ministers have provided me with their priority targets for improving value for money in 1984/85 (summarised in annex 2). It is encouraging that the process of using MINIS systems in this way has started in virtually all departments. But Ministers and departments are still in the early stages of learning how to set and make sure that they hit the targets. The need now is to maintain the pressure and to provide encouragement.

4. Government has agreed that, after allowing for general inflation, public expenditure totals will be held level between 1984/85 and 1986/87. Achievement of this will inevitably be assailed by hard cases and persuasive arguments to spend more. But an important positive contribution can be obtained by getting increased value from the large sums of money already in the public expenditure totals. The difference between merely having worthy intentions and actually getting better value will lie in setting, and resolutely pursuing, tough but realistic targets in each Department.

5. My correspondence and discussions on Ministers' targets based on their use of MINIS-type systems, show that their considerable willingness to identify areas for review is not yet matched by declarations of what they actually intend to achieve. Response within Departments will be in proportion to the determination displayed by Ministers. There are some outstanding exceptions, but my view is that in many instances we still need to

get Ministers more committed to extracting better performance rather than asking for more money.

6. A key that can unlock much of the required improvement is recognition by Ministers that improving value for money is one of the factors on which their performance will be judged. They will then think about it regularly and often, and their departments will get the message. Among the instruments I see for achieving this are:

- The regular small seminars you will be having at which selected Ministers will talk about their achieved improvements.
- An annual scrutiny programme chosen from work to support Ministers' value for money targets, mainly identified as a result of their MINIS-type systems.
- Selective pats on the back, particularly for junior Ministers, when they achieve substantial gains in value for money.
- Working towards a convention that senior officials can expect to be asked about improvements in value for money whenever they appear before a Select Committee or the Public Accounts Committee.
- Publicising good achievement and encouraging the media to acknowledge this. (The Times leader at the start of this month was quite helpful (see annex 3).)

The 1984/85 targets

7. On your behalf I asked 18 Ministers to let me know their targets for improving value for money in 1984/85. The individual items for each Department and my reactions are given in annex 2. In assessing the replies I had seven pressing needs in mind:

- (1) Identification, as an essential part of the Financial Management Initiative (FMI), of specific sectors within Departments as focal points for setting objectives and allocating responsibilities. For convenience, such sectors are described for FMI purposes as "businesses".
- (2) For each business, definition of who the customer is, and a clear intention to seek better services for him at lower cost.
- (3) The setting of defined targets for each business, as clear yardsticks of success or failure.
- (4) Associating a given time for the achieving of each target - medium term targets need to be broken down into annual components.

- (5) Selectivity: Ministers need to concentrate on achievements of the potentially most fruitful targets, even at the expense of others or less importance.
- (6) Delegation right down the line: similar specific and selective targets have to be set by line managers as budgets are divided up.
- (7) Sound performance criteria by which improvement can be measured.

8. Mainly because of the timing of their MINIS-type systems 4 important departments are not yet able to give their Ministers sufficient information to select value for money targets. These are Transport, Environment, Trade & Industry, Arts and Libraries. I will return to discussions with those Ministers later in the year.

9. For the rest there is inevitably a scatter in how well Departments measure up to the above needs. There are encouraging signs that thinking in some has advanced in the past nine months. For example, the Home Office, the Lord Chancellor's Department and the Department of Education and Science are making rapid strides whereas in some other departments the Ministers concerned will have to work hard to keep up the momentum.

10. The need for selectivity is demonstrated by the number of targets listed in annex 2. There are 246 in total ranging from 5 in Treasury to 23 in DES. There are already some signs of the required selectivity; the Chancellor is clearly intending to focus the Treasury on improving forecasting of non-cash limited public expenditure. The Minister of State (Privy Council Office) has selected support of the Financial Management Initiative as the main priority from his list. I would expect this kind of refinement to continue.

11. Few are able yet to set performance criteria for the targets. Notable exceptions are the Home Secretary who says, for example, that in the prison service he wishes to achieve key operational objectives with fewer staff than estimated and to reduce the allowance on overtime. The Secretary of State for Defence has given that department a combination of concrete and urgent things to be achieved (eg operation "leanlook" to save 4,000 support posts in the Army and transfer that number to the front line) and a handful of management themes which he expects to see applied throughout the department. Others are directing their energies into securing the manpower targets for 1988 (for example in the Foreign and Commonwealth Office and in the Inland Revenue).

12. There is a continuing need to encourage Ministers to press their Departments to identify who the customer is and to set standards of service for him. In the Department of Employment, for example, performance standards for the Unemployment Benefit

Service are being developed and could be an important step forward. Elsewhere in DE, however, the signs are less good. For example in the Health and Safety Executive there are still no signs of a determination to improve value for money.

13. An encouraging sign is that a number of Departments are also beginning to set value for money improvement targets for programmes. In Environment, for example programme performance review procedures are being mounted alongside the MINIS-type systems. The same is true in the Home Office and in Energy. In the DHSS virtually every major social security benefit is under review. But as I commented earlier, it is the action following the reviews that matters.

14. I remain concerned that there is still an insufficient sense of urgency. A number of replies seem to assume that it is enough to show some improvement. But it is not. In my private sector experience you have to improve things vigorously if you are to succeed. I know that some Government time horizons are very long but this is no reason for not achieving rapid benefits that are within reach. The approach must be to break down distant targets into more immediate objectives. I am particularly struck by the need for this in, for example, the Department of Education and Science and the Scottish Office. But on the evidence of the returns, it applies to a greater or lesser extent to almost all departments.

Conclusion

15. If you agree I would intend to go back to Ministers about half way through 1984-85 to review progress towards current targets and to start the process of setting new and more precise targets for 1985-86. For the present, I seek your approval to take an interest on your behalf in the work listed in annex 1 which supports Ministers' targets.

16. I also seek your approval to publish a list of the scrutinies in the Financial Management White Paper due to be published in July. Hitherto we have published the list through an arranged Parliamentary Question. But I now judge it would help show MINIS-type systems developing at the centre of annual departmental management activity if we were to do so in the White Paper.

17. I would intend to give you another progress report on the work associated with value for money targets towards the end of 1984, at which time new targets for 1985/86 will be beginning to emerge.

18. At the presentation I am to give Cabinet Ministers on 10 May I shall be stressing that Ministers must show determination to achieve their targets and that in future years they must make these increasingly precise, selective and demanding. I shall brief you separately on that presentation with a special reference

✓ to the proposed seminars when Ministers will discuss with you
their achievements in improving value for money.

19. I am copying this to Sir Robert Armstrong.

Miss Gooday

p.p. ROBIN IBBS

3 May 1984

Annex 1

	Scrutinies	Other work
Lord Chancellor	[Discuss in the autumn]	Consultant's work on legal aid
Foreign Secretary	<ol style="list-style-type: none"> 1. BBC external services (subject to agreement to concentrate on how the Corporation seeks to improve value for money.) 2. ODA Development Divisions 	Inspection of the Overseas Estate Department
Home Secretary	<ol style="list-style-type: none"> 1. Police National Computer Unit 	Follow up to prisons efficiency work
Chancellor of the Exchequer		Identification of civil service costs in Public Expenditure Survey Performance related pay
Financial Secretary	<ol style="list-style-type: none"> 1. Inland Revenue repayment procedures 2. Inland Revenue archives 	
Minister of State, Treasury	<ol style="list-style-type: none"> 1. Customs & Excise service to the public 	
S/S Education & Science	<ol style="list-style-type: none"> 1. Efficiency study of the Universities 2. Open University 	
S/S Northern Ireland	<ol style="list-style-type: none"> 1. RUC buildings 	
S/S Energy	[Discuss in the autumn]	UKAEA review
S/S Defence	<ol style="list-style-type: none"> 1. Manpower control 2. Marine services 	MOD re-organisation
S/S Scotland	[Discuss in the autumn]	
S/S Wales	[None for the present]	
S/S Environment	<ol style="list-style-type: none"> 1. Urban programme 	
S/S Social Services	<ol style="list-style-type: none"> 1. Dependant relative procedures [A new NHS programme to be sought in the autumn] 2. Registration of births, marriages and deaths 	Reviews of benefits
S/S Trade & Industry	[Discuss in the summer]	

	Scrutinies	Other work
S/S Employment	<ol style="list-style-type: none"> 1. Financial control in the Community programme 2. Handling European Fund money (provisional) 3. Relationship of Jobcentres and the Careers Service (provisional) [Discuss HSE possibilities in the autumn]	
Minister of Agriculture	<ol style="list-style-type: none"> 1. Veterinary Investigation Service 	Strategy Review of ADAS
S/S Transport	[Discussion in progress]	
Attorney General	<ol style="list-style-type: none"> 1. Litigation in the Treasury Solicitor's Department 	
MoS(PCO)	<ol style="list-style-type: none"> 1. Identification of internal talent in the civil service [Discuss Arts scrutiny in summer]	

Annex 2 - Targets and Scrutinies

The Lord Chancellor is starting to get a grip on costs and to develop operational objectives and performance measures. By September, for example, he will have established performance targets for each Circuit of Courts and will have received a consultant's report on securing better control of legal aid (currently £300 million a year - a doubling since 1980/81). But as yet there are no observable targets. The key will be to turn this investment into real improvements on the ground.

LORD CHANCELLOR'S DEPARTMENT

TARGETS FOR 1984/85

Define objectives, develop performance measures for the management of the courts.

Introduce a management information and resource allocation system for Headquarters.

Personnel management: experiment in devolution of personnel management functions to the Courts Administrator in the Midland and Oxford circuit.

Rolling programme of management scrutiny.

Take decisions on scrutinies: assessment procedures for
Civil Legal Aid
: the handling of private moneys
and implement accordingly.

Coopers & Lybrand study on administration of legal aid.

Land Registry

2% improvement in productivity for 1984/85 over 1982/83.

Adapt management accounting system to provide clearer information to Regional Managers about expenditure which they control.

Public Record Office

Implement reports of Treasury Staff Inspection
Internal Audit
AFA (HMT) on restructuring of the memorandum trading account in Reprographic Services and allied matters.

Improved financial delegation to line managers.

The Foreign Secretary has set out broad political objectives and has a substantial volume of work in prospect or under way to review administrative costs - mainly to meet the FCO target saving of 411 posts (4.4%) by 1988, and the Overseas Development Administration manpower reduction of 228 (1½%) this year with a modest further 65 (0.4%) by 1988. But a great deal of work remains to be done to get a MINIS-type system in place and operational objectives against which work can be directed systematically to improve value for money.

Financial Management

1. To introduce an interim, largely manual, top management system, to provide a broad-brush analysis by the Summer of 1984, and to provide the information required to decide priorities, investigate anomalies and improve deployment of resources.
2. To delegate during 1984/85 a progressively greater proportion of running costs to line managers with a view to allowing posts to play a greater role in determining their own annual budgets 1- 198 /86.

Communications

3. To complete the preparatory work necessary for the introduction of computerised Message Handling Switches during 1985 leading to speedier transmission of telegrams and savings of 45 jobs in 1985/86.
4. To reach agreement with the Trade Union Side on changes in the Communications Division that will lead, inter alia, to a saving of up to 20 posts by 1988, through the replacement of communications officers by generalists.
5. To seek agreement with the BBC on the hiving off to the BBC of the FCO Broadcasting Group; and on this basis to agree on a timetable for the change with a view to achieving over 120 job savings during 1985/86.

Manpower

6. To meet the target for manpower reductions for 1984/85 (50) by contracting out cleaning of the main FCO building, on the assumption that this is shown to be cost effective.
7. To identify how to make the remaining savings necessary to achieve the overall target of 350 agreed for 1988.

Information Technology

8. To introduce a standard overseas computer system in Bonn (and subordinate posts), Paris, Zurich, Geneva, Rome and Milan.
9. To bring the FOLIOS project to the point where orders can be placed with suppliers.

Diplomatic Estate Overseas

10. To achieve further rationalisation in the Estate including, where appropriate, the replacement of overlarge or inefficient assets, which will involve arrangements to permit asset re-cycling with substantial end-year flexibility.

The Home Secretary shows an impressive willingness to tackle putting the various businesses of the department on a sound management footing. The combination of the MINIS type management system and the Annual Performance Review of the effectiveness of programme expenditure is potentially very powerful in securing major improvements.

EFFICIENCY : ODA PROGRAMME 1984/5

<u>Key areas for attention</u>	<u>Targets</u>	<u>New studies</u>	<u>Key areas for attention</u>	<u>Targets</u>	<u>New studies</u>
1. MANAGEMENT OF BILATERAL AID	<ul style="list-style-type: none"> i Implement new arrangements for management of overseas manpower programmes, including major restructuring of Overseas Manpower Services function and introduction of MIS. ii Continue work on measures to improve procurement methods and systems in the light of 1983 scrutiny. 	Scrutiny of relationship between Headquarters geographical departments and Development Divisions, with special reference to developments in technical co-operation objectives.	MANAGEMENT SERVICES	<ul style="list-style-type: none"> ii Implement improved personnel management systems derived from Fraser and Cassels reports. iii Implement results of review of Eland House secretarial services - target date June 1984 iv Re-organise arrangements for overseas travel, following study on feasibility of contracting out. v Following agreement on increased delegation of authority from Treasury to ODA for programme resources, review ODA's internal system of decentralised and delegated financial authority with aim of increasing, where appropriate, delegation to and down line management vi Assess results of pilot projects on divisional cost centres. In the light of that assessment define action required to develop further: <ul style="list-style-type: none"> a) ODA system for linking decisions on allocation of programme and administrative resources. b) Monitoring by management at all levels of effective use of both types of resource. 	Examine scope for computerisation of staff records for personnel and training purposes
2. WORK OF ODA SCIENTIFIC UNITS	<ul style="list-style-type: none"> i Directorate of Overseas Services: complete transfer of functions to Ordnance Survey and close down of Tolworth site - target date March 1985 ii Tropical Development and Research Institute/Land Resources Development Centre: <ul style="list-style-type: none"> a) Accelerate rationalisation of staff and functions - target date March 1986 b) Begin detailed planning of relocation. 	Feasibility study on preferred sites for new combined HQ.			
3. OVERSEAS PENSIONS WORK	<ul style="list-style-type: none"> i Complete major restructuring of Department ii Rationalise computer and financing arrangements for pensions payments 				
4. DEPARTMENTAL SERVICE FUNCTIONS: PERSONNEL MANAGEMENT	<ul style="list-style-type: none"> i Implement new HQ staff training strategy 	Prepare training strategy for professional staff and staff of scientific units.	MANAGEMENT INFORMATION SYSTEM	<ul style="list-style-type: none"> vii Complete implementation of phase 1 of MIS. Update phase 2 programme and begin implementation. 	

The Chancellor of the Exchequer has set the Treasury specific targets of implementing procedures to improve forecasting public expenditure (particularly that which is not cash limited) and to change the strategic direction of the Central Computer and Telecommunications Agency away from detailed interference towards strategic and service-wide issues. He will be introducing information about the cost of the civil service into the 1984 public expenditure survey round which will enable Ministers to know the implications of their expenditure decisions for these totals. And of course the Chancellor will have important interest in any experiments to introduce performance related pay into the civil service.

The Inland Revenue has one of the most ambitious manpower targets for 1988, achievement of which largely depends on successful implementation of PAYE.

Customs and Excise have two priorities: better VAT collection and preventing drug smuggling. So far, however, the information available to me suggests that their programme of review is not very well articulated with such targets.

Targets for 1984-85

1. Prisons

[Overall targets: Achieve key operational objectives with fewer staff than estimates; reduce reliance on overtime.]

- (1) Prepare for "shadow" delegated budgets in 1985-86;
- (ii) Use cost comparisons;
- (iii) Improve management structure in prison establishments by clarifying lines of responsibility;
- (iv) Develop agreed annual statements of objectives for each prison.

2. Immigration and Nationality

- (1) Implement delegated budget;
- (ii) Re-appraise computer applications;
- (iii) Re-organise on clearer, functional lines.

3. Police Technical Services

- (1) Develop new accounting framework and structure of accountability for the Directorate of Telecommunications;
- (ii) Improve planning and management of SRDB research programme;
- (iii) Plan how to develop Police National Computer.

4. Police

- (1) Introduce pilot information system to help HMIC to assess police resource allocation and efficiency;
- (ii) Evaluate response to circular on police efficiency;
- (iii) Improve financial controls over Metropolitan Police.

5. Probation

- (1) Introduce information system for Probation Inspectorate.

6. Central

- (1) Improve use of investment appraisal;
- (ii) Improve staff training in financial management;
- (iii) Carry out a better co-ordinated and more "pro-active" programme of efficiency work.

1. The Treasury as a whole

Improve internal financial management. Specifically:-

(i) introduce new MAISY (computerised management information system) from 1 April 1984, with quarterly reports of costs (more frequent where necessary and appropriate) to line managers;

(ii) complete first full round of work programming and resource allocation - by 1 April 1985;

(iii) familiarise staff with the changes in the Treasury's financial management - central Treasury programme to be completed by July 1984.

2. Public expenditure control

Improve the forecasting and monitoring of public expenditure, particularly demand-led programmes. Specifically:-

(i) introduce monthly monitoring of public expenditure planning total - as soon as possible in 1984;

(ii) reassess FIS and redesign if necessary - by 1 April 1985;

3. CISCO

Implement government statement of 21 December, specifically:-

(i) implement arrangements for contracting out - by 31 December 1985;

(ii) define new standards for staff catering, and introduce new common tariff and new subsidy arrangements - by 1 April 1985;

(iii) introduce trading fund - on 1 April 1985.

4. CCTA

Implement government decisions on the Director's Review; likely specific targets up to 1 April 1985:-

(i) transfer to Treasury expenditure divisions responsibility for financial approval;

(ii) transfer to departments responsibility as principals to IT contracts;

(iii) complete first corporate plan.

5. CCC

Review effectiveness of monthly performance monitoring (with improved range of indicators), and outside cost comparisons - by 1 April 1985.

INLAND REVENUE

1. 1988 Manpower Target: To make the maximum progress in 1984/85 towards meeting the target of a reduction in manpower of about 7000 between April 1984 and 1988, in particular by:
 - a. measures to achieve staff savings (largely after 1984/85) following 1984 Budget changes, and improvements in efficiency from management initiatives during the year; and
 - b. the introduction of changes in personnel policy (eg reductions in the retirement age for some categories of staff) to facilitate the achievement of these staff savings while reducing the possibility of compulsory redundancy.
2. Computerisation of PAYE (COP): To continue the implementation of the COP project on time and to budget, and to contribute about 4000 of the staff savings necessary for meeting the 1988 manpower target. The key decision will be taken in Summer 1984 whether to press ahead with full implementation, following the trial run in the West Midlands. Subject to this, the system is due to operate throughout the country by the beginning of 1988.
3. Valuation Office: To ensure that the Valuation Office can carry out all the duties required of it, in the light of:
 - a. the current discussions on a non-domestic rating revaluation in 1989;
 - b. the proposals in the Dalton Review of Government Valuation Services, and the connected issue of charging for Valuation Office services;
 - c. decisions on the timing of any domestic rating revaluation; and
 - d. the contribution of new technology.
4. FMI: To continue the successful implementation of the Department's FMI plans. The key milestones in 1984/85 are:
 - a. the introduction in April 1984 of a new financial and management accounting system (FAMAS);
 - b. the introduction of new management information systems in most of the large operational areas of the Department, (with the exception of the Tax Office network, where a new system was introduced in 1983/84);
 - c. the further development of the Department's equivalent of MINIS, the Senior Management System (SMS). The second round of SMS is due to take place in Autumn 1984.

Specific work

Scrutiny of archives

Scrutiny of annual repayment arrangements

Review of employment of Tax Officers
Higher Grade

Computerisation of Schedule D Assessing (CODA)

CUSTOMS AND EXCISE

Business	Targets	Supporting Work
VAT	<p>1. Improve efficiency of control, particularly through:</p> <ul style="list-style-type: none"> - 4% increase in visit sessions - 7½% real increase in additional revenue yield - 25% reduction in payment delays by large payers - 20% reduction in time-to-pay requests allowed <p>2. Introduce computer terminals into all LVO's by 31.3.85</p> <p>3. Prepare for withdrawal of postponed accounting by 1.10.84</p> <p>4. Achieve expected extra revenue from Budget changes in coverage</p>	<p>1. Revise assignment values for selecting visits; revise control procedures for certain classes of traders</p> <p>4. Deploy 50 extra staff on enforcement and control</p>
Customs	<p>1. Improve preventive control of drug smuggling</p> <p>2. Make decisive shift to automated systems of freight processing in next 5-10 years</p> <p>3. When postponed accounting withdrawn, minimise extra time needed to process 4½m additional entries a year</p>	<p>1. Deploy more staff at major ports; set up new outfield intelligence teams; make fullest use of CEDRIC computer system</p> <p>2. Identify ports/traders willing to use Direct Trader Input; review computer strategy to produce detailed user requirement for DEPS II by 31.12.84</p>
Revenue Duties	Achieve new structure for oils duty with a view to de-bonding most warehouses in 1985/86	
General		Review of procedures for handling enquiries from the public

DEPARTMENT FOR NATIONAL SAVINGS

1. Has selected five areas each of which will be developed as "business" for this purpose. These areas are the three provincial locations:-

(i) the Savings Certificate and SAYE Office at Durham;

(ii) the National Savings Bank and Deposit Bond Office at Glasgow;

(iii) the Premium Bond and Income Bond Office at Lytham St Annes;

and for the small London HQ office the two separate areas of

(iv) the publicity programme and

(v) the general management function for the whole department.

2. From the beginning of 1984-85, these will be managed as budget centres, with a computerised database established for this purpose on one of the department's mainframe computers in Lancashire and supporting a group of VDUs in each of the department's four main locations.

3. The study of performance indicators is concerned to establish

(i) a set of simple items which can be used in monitoring and

(ii) a set of ratios which should be of use in setting targets. Much work, in conjunction with the Treasury consultant, is needed on both these aims.

The Secretary of State for Education and Science has set broad political objectives to move forward on a number of fronts including educational standards in schools, the management of teachers and the better direction of resources for further education. The TRIDENT system is developing well to turn these into observable targets but as yet there are insufficient sub-targets and milestones against which to measure progress.

DEPARTMENT OF EDUCATION AND SCIENCE

Business	Targets	Supporting Work	Business	Targets	Supporting Work
Schools: 1. Curriculum	1. Publish broad objectives for 5-16 curriculum and for 4 main subject areas		Universities	Increased efficiency	CVCP to steer studies of financial management and non-teaching activities
2. 16+ Examinations	2. Launch work on grade-related criteria		Grant-aided colleges	1. Better control of costs and standards 2. Bring voluntary college planning under NAB	1. Implement agreed recommendations of Willis report
3. Records of achievement for school leavers	3. Select pilot schemes for support by Education Support Grants	3. Approval of LEAs detailed proposals	Open University	Improved efficiency	Scrutiny of financial management
4. Surplus places	4. Secure removal of 150,000 places	4. Disseminate good practice to LEAs	Non-advanced further education	1. Implement white paper: "Training for jobs"	1. Get LEA support; establish arrangements for control of MSC; use 'PICKUP' & 'CELP' projects to disseminate good practice in education/industry collaboration
5. Meals service	5. Press LEA's to secure further reduction in net cost			2. Improved efficiency in institutions	2. Further Development of 'FEMIS' management information system
Teacher supply	Decide entries to teacher training courses from 1986 onwards	UGC and NAB to implement	Science policy/ Research Councils	1. Plan restructuring of Research Councils' expenditure 2. Plan implementation of FMI in Research Councils 3. Get Research Councils to implement agreed recommendations of scrutiny of support services	1. Review spending on part physics 2. Publish work on research outputs using citation analysis
Initial Teacher Training	1. Establish Council for Accreditation of Teacher Education 2. Bring new course criteria to bear on half existing courses within 2 years	2. HMI to scrutinise courses			
Teacher management	1. Promote assessment of teacher performance 2. Greater use of in-service training grants 3. Make proposals for education support grants				
Higher Education (General)	1. Publish policy for 1990's 2. Legislate to remove barriers to private financial support for polytechnics				
Local authority higher education	More effective distribution of resources	Reconstituted National Advisory Body to plan the sector			

The Secretary of State for Northern Ireland is moving the Northern Ireland civil service along parallel lines to that on the mainland. He is introducing MINIS type systems and delegated budgeting and will be looking for the same proportionate improvements in efficiency as in the comparable GB services. Given the particular political situation in the province I accept this as a reasonable strategy.

NORTHERN IRELAND OFFICE

Current work (1983-84)

- 1) Farm incomes.
- 11) Completions achieved in the housing programme.
- 111) Teacher and non-teacher costs in schools.
- 1V) Performance indicators in the NI Health Service.

(Targets and work programme for 1984/85
not yet agreed)

The Secretary of State for Defence has a major programme of change in hand. It is designed to apply his management principles to the extreme complexities of the Ministry and to reform the decision taking structures. I have no doubts that he is right in believing there are great improvements in value for money to be achieved.

Target Area

Programme of Work (Major work only)

The Management Information and Budgetary Framework for Accountable Management

- (1) Hold second round of MINIS starting in Feb 84.
- (2) Introduce Staff Responsibility Budgets for 90% of civilians by 1/4/84 and examine arrangements to apply SRBs to military staff
- (3) 'Crewe' study of manpower control and scrutiny
- (4) Improvements in Long Term Costing system
- (5) Work on budgetary framework of Dockyards
- (6) Speed up the introduction of Executive Responsibility Budgets

The Cost Effective Use of Resources

- (1) Further examination of procurement work
- (2) Tri-service studies of engineer, music, language, ADP and PT training; of animals; of physiotherapy; and of feeding
- (3) Implementation of existing recommendations on Navy shore training
- (4) Productivity scheme at Clyde submarine base
- (5) Management Audit of Marine Services.
- (6) Implement Groom review of Army training
- (7) Review functions of Army education
- (8) "LEAN LOOK" exercise on Army support
- (9) Improve utilisation of Defence Estate by a Maintenance Economy Review in each district.
- (10) Follow-up action to SAERT.
- (11) Information Technology Strategy Study

Target Area

Further delegation of authority and responsibility to individual managers

Scrutinising the nature of work done in MOD and introducing new elements of competition.

(1) Privatisation

(2) Contracting Out

(3) Introduce greater competition

Clarifying and simplifying the roles of senior officers within Headquarters

Programme of Work (Major work only)

Civilian Personnel Management Study

Work on delegation of responsibility to dockyard managers.

Refinement of management of Portsmouth and Gibraltar bases.

Establish a Commander of Training Establishments in UKLF with a budget (Groom recommendation).

Examine possible creation of a maintenance executive.

Royal Ordnance Factories by 1.4.85

Examine scope for various schools

Examine prospects in Grounds maintenance (300 posts in Navy alone); catering (700-800); hostels and barracks; marine services; less sensitive security; movements.

Contract out basic driver training early 1984

Establish comparisons between dockyards and industry; consider some private sector refits

Commercialise certain army medical stores by mid-1984

Contract out servicing at certain RAF flying/training schools

(1) Introduce charters for officers with formal financial responsibilities

(2) Review the top structure of CERN

(3) "Operational Concepts work"

[and, of course, the changes outlined in "MINIS and the Development of the Organisation for Defence"]

The Secretary of State for Scotland has emphasised the need for vigorous action to implement work in substance and to engender a proper sense of urgency.

SCOTTISH OFFICE - TARGETS 1984-85

Agriculture and Fisheries

- (1) Restructure Agricultural Staff.
- (2) Prepare legislative proposals to facilitate disposal of residue of land settlement and crofting estates.

Ancient Monuments and Historic Buildings

- (1) Implement changes in organisation and financial procedures.

Roads

- (1) Implement changes to staffing of roads and transport divisions.

Education

- (1) Substantially reduce the number of list D schools and change system of financing.
- (2) Continue implementation of curriculum changes.

Health Service

- (1) Ensure Health Boards have a sound planning system.
- (2) Identify apparent high cost areas and scrutinise them.
- (3) Improve flow of statistical information about resource input and performance.
- (4) Improve quality of audit.
- (5) Improve management structure and reduce its costs.
- (6) Examine contracting-out possibilities.

Prisons

- (1) Introduce a standardised method of detailing staff as a prerequisite to a pilot scheme of computerised detailing beginning mid-1985.

Police

- (1) Contract out catering and cleaning services at the Scottish Police College.

Industrial policy and support

- (1) Adjust staffing to reflect changes in the administration of regional aid.

Central Services

- (1) Implement agreed stages of Financial Management Initiative.
- (2) Subject to progress at national level, implement Review of Personnel Work.
- (3) Seek greater efficiencies in the provision of office services.

Minor departments

Department of the Registers: (1) Progressively extend registration of title to improve quality of service and costs to the public. (2) Complete computerisation of the Land Register, of fee collection, and of the preparation of the Minute Book for the General Register of Sasines.

General Register Office (Scotland): Conversion to microfiche of statutory registers of births, deaths and marriages for the years 1940 to 1983.

Scottish Record Office: (1) Prepare for conversion of Sasine Registers to microfiche. (2) Make savings as a result of extension of credit for search room fees.

Scottish Courts Administration: Seek to reduce delays in hearing civil and criminal cases by (1) studying administrative procedures; (2) studying scope for further computerisation; (3) pursuing organisational reforms.

The Secretary of State for Wales will be concentrating on the parallel implications for the Welsh Health Service of the Griffiths report in England.

WELSH OFFICE

Targets 1984-85

1. Complete the first round of objective-setting.
2. Bring into effect an improved management budgeting and information system.
3. Complete the implementation of improvements in the staffing and organisation of each Under Secretary command.
4. Review how best to improve the management of the NHS in Wales in the light of the Griffiths Report.

The Secretary of State for the Environment is working on the fifth annual round of MINIS. It should shortly identify the studies which will need to be undertaken later in this financial year. He is introducing a parallel system of performance review reports in which line managers of programme expenditure are asked to review performance and outturn in the previous period as a basis for reconsidering future plans.

DEPARTMENT OF THE ENVIRONMENT

The Department will use MINIS 5 and the associated system of Performance Review Reports (PRRs) to identify targets for 1984-85 and the work necessary to support them. (Expected to be early May.)

1. Current work

- (1) Scrutiny of the Urban Programme;
- (11) Clarification and improvement of the financial relationships with sponsored bodies; (setting clearly defined objectives against which work plans and performance can be measures).
- (111) Examination of the implications of the FMI for local authority associations; exploration of the possibility of wider application of performance and output measures for local authority services.

2. PSA

Targets for 1984-85:-

- (1) To implement major recommendations arising from -
 - Wardale/Touche Ross Report
 - Resource Control Review of the District Works Offices;
- (11) To introduce improvements to the Property Repayment System;
- (111) To agree and implement re-structuring proposals.

3. Ordnance Survey

- (1) To strengthen commercial orientation of Ordnance Survey; set ambitious commercial targets; develop performance indicators;
- (11) To develop computerised management accounting system .

The Secretary of State for Social Services has a major programme of reform on his hands. On the social security side of the house we are just beginning to talk about where the scrutinies can apply - including the possibility of contributing to the major benefit reviews announced earlier this month. There is some way to go, however, before policy and executive responsibilities are keyed together and we can think of significant progress on value for money as well and truly insight.

HEALTH AND SOCIAL SECURITY

1984/85 TARGETS AND WORK PROGRAMME

DHSS

1. Complete second round of management review system (annual divisional management account).
2. Identify areas for efficiency scrutiny (from 1.).
3. Implement recommendations of previous Rayner work.
4. Participate in multi-departmental reviews (to be decided).
5. Scrutiny of 'liable relative' procedures.
6. Reduce manpower by 3½ per cent by April 1988.
7. Pensions Enquiry (due for completion Autumn 84).
8. Major policy reviews of:
Housing Benefit
Supplementary Benefit
Young People's Benefit
9. Internal review of Community Nursing.
10. Efficiency Study of the management structure of Social Work Services regional organisation.
11. Survey of disablement.

NHS

1. Implement recommendations of Griffiths report.
2. Implement recommendations of Scrutinies.
3. Set and monitor manpower targets for RHA.
4. Launch 1984 scrutiny programme with participation by all 14 Regions.

OPCS

1. Consider computerisation of NHSCR in light of FPS report.
2. Scrutiny of Registration Service in England Wales.
3. Maintain or improve quality of service within small manpower reduction (0.3%) to April 1988.
4. Introduce repayment system for ad hoc social surveys in 1984/85.
5. Convert Labour Force Survey to continuous survey to meet the needs of Secretary of State for Employment.
6. Improved efficiency of interview surveys to reduce unit costs by []%.
7. Improve population estimates for local authorities and health authorities to ± []%.

(Extracted from the Secretary of State's letter of 24/2/84 and discussion with officials - not yet agreed)

The Secretary of State for Trade and Industry is not yet in a position to choose targets for 1984/85 since his MINIS type system will not finish until early June. The Secretary of State has said that he fully supports our strategy and wishes to make improved efficiency and effectiveness the standard job requirement for civil service management. I shall be disappointed if there are no policy areas where improved value for money is to be sought.

DEPARTMENT OF TRADE AND INDUSTRY

The Department's MINIS equivalent is the ARM (Activities and Resources Management) system.

"Decisions on targets and Rayner-type studies specifically linked to them are dependent on the ARM timetable under which returns will be submitted for evaluation in mid-February."

Current work

Implementation of outstanding scrutinies and reviews:

- Patent Office (1980)
- Selective Financial Assistance (1982)
- Accountancy needs in DTI (1983)
- National Weights and Measures (1983)
- Consultancy, Inspection and Review Capabilities (1983).

The Secretary of State for Employment promises rapid progress. There is much still to be done to develop performance indicators and output measures and then to set targets which will enable him to compare actual target performance. I am sure he is right to make this one of the priority tasks. The lack of general quantification is particularly noticeable, for example, in the Unemployment Benefit Service.

In the HSE a new system of performance indicators is started to be bedded in. The Secretary of State considers that to go beyond this would risk overloading management at a time when the dispersal of staff to Bootle is already imposing special tasks. I accept this in relation to 1984 but I am generally concerned about the approach of the HSE to improving performance, which is not always as convincing as might be expected.

EMPLOYMENT GROUP

TARGETS FOR 1984/85

Headquarters

SMG studies, eg improved information on outputs and performance
Departmental CIRC reiew.

UBS

Implementation of Staffing Basis Scheme
Introduction of VDUS
Improved management information system.

MSC

Skillcentre Training Agency: reduction in annual costs of
£.8 million for transport and
accommodation, once off saving of
£1.5m on reduced stock levels.

Dispose of some vehicles, reduce : Review of vehicles fleet
drivers and use more
rentals and haulage
contractors

250 staff savings in 1984/85 in : Maintain TOPs at current
Training Division level
: HMT review of division

Employment Division : Review of Jobcentre network
: Produce output and efficiency
objectives
: Examine possibility of
developing a staff allocation
system
: Develop enhanced computerised
vacancy circulation system.

Study of Ranmoor Hall staff training funding arrangements

Study of claims made under the European Social Fund.

COMIS initiated studies (1) The organisation and success of the
initiative under which 10% of staff
on general placing work are devoted
to special help for the longer term
unemployed will be reviewed to
determine, amongst other things,
whether earmarking a fixed staff
resource is the most efficient way
to help that particular group.

(2) The respective roles and activities
of the Careers Service and
Jobcentre in Youth Training Scheme
recruitment.

(3) Occupancy levels in MSC-purchased
training provision generally
(including Skillcentres), to assess
whether MSC in getting the best
value for money possible.

(4) The further development of
performance indicators within MSC.

HSE

Introduce new system of performance indicators
Develop financial information system.

ACAS

Bed in FMI mechanisms.

(Extracted from the Secretary of
State's letter of 28/12/83 - not
yet agreed)

The Minister of Agriculture Fisheries and Food has said he is keen to see the MINIM system as an essential management tool and has assured me that the new head of the Agricultural Development and Advisory Service should look at the service radically. But as yet, although the extent of review activity is most marked this has been one of the least good discussions I have had and I do not yet have a clear sense of determination to improve value for money.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

The Rt Hon Michael Jorling M

1. To decide the future role and work of ADAS in the light of a review by the new Director General.
2. To decide the future role and work of the Veterinary Investigation Service in the light of a scrutiny.
3. To complete the review of the future organisation of Agricultural and Food Research and Development.
4. To decide on our response to any recommendations made by the Controller and Auditor General in his report to the Public Accounts Committee on the VFM study of agricultural support expenditure carried out by the National Audit Office and to whatever conclusions the PAC may reach on that report.

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

To proceed with the computer development programme, concentrate Headquarters staff in a single building, and improve operational cost effectiveness.

The Secretary of State for Energy is concentrating his efforts on programme expenditure. I am impressed with the MINIS system being applied in this department which links programme expenditure and administration. There are already four reviews of important programmes in hand and I shall be remaining in touch with each of them, particularly a committee review of the UK Atomic Energy Authority which is due to report in June/July.

DEPARTMENT OF ENERGY

1. Programmes

(i) To review the role and activities of the Atomic Energy Authority.

(ii) To examine and make recommendations on the balance between nuclear and non-nuclear programmes.

(iii) To develop measures of output of energy efficiency schemes and to introduce performance indicators.

(iv) To review the control, financing and management of the Government Oil pipeline and storage system.

(v) To undertake reviews of -

- The UKAEA Fusion Programme
- R&D on coal technology
- Offshore programme

2. Running Costs

(i) To achieve 1 per cent reduction in running costs per annum.

(ii) Implement Bird report.

(iii) Undertake staff inspection of supporting services.

(iv) Establish Gas and Oil measurement branch as a cost centre.

(v) Decide strategy for further computerisation where appropriate and cost effective.

(vi) Undertake a study of delegated financial responsibilities for different programmes of R&D.

(Extracted from the Secretary of State's letter and discussion with officials. Not yet agreed)

The Secretary of State for Transport has a system which has not yet identified solid targets. The aim seems to be containment of manpower totals to the 1988 figure and there are both insufficient intermediary aims and too few output aims.

DEPARTMENT OF TRANSPORT

General

1. To ensure that there is an adequate system of incentives and reporting lines.
2. To develop and advance the departmental system of review of functions, objectives and costs in under-secretary commands. [Possible cost-cutting reviews of travel & subsistence, accommodation, telephones, grading of junior staff using information technology.]

DVLC

3. To realise efficiency benefits so that by 1 April 1988 the expected increase in workload can be handled by no more than the staff numbers at 1 April 1984. [Possible scrutiny.]

Driver Testing & Training (DTT)

None stated.

Traffic Area Offices

4. To more than offset rising demand by changes in procedure, new technology, and implementation of recommendations from scrutiny of Heavy Goods Vehicle Operator Licensing. [Possible scrutiny.]

Vehicle Inspection

5. To produce significant economies through tauter organisation and a computer-based accounting system. [Possible value-for-money review.]

Regional Transport Offices

6. To provide a wholly Civil-service highways organisation by 1988.
7. To reduce local staff to reflect progression in the strategic trunk road network.
8. To meet extra demand resulting from changes in the local-government structure.

Marine

9. To achieve savings identified by scrutiny of Coastguards.
10. To achieve further savings through computerisation [and possible scrutiny].

Aviation & Shipping

None stated.

Research

11. To develop Transpotech successfully. [Possible further efficiency reviews.]

Highways HQ

12. To meet extra demand arising from local government changes.
13. To establish scope for reducing no. of roads maintained with central funds.

Transport Industries

None stated.

Greater London Transport, Roads & Traffic

14. To meet requirements arising from abolition of GLC.

Local & Urban Transport

15. To meet requirements arising from abolition of Met and GLC.

Road Safety, Vehicle & Component Appraisal, Vehicle Standards Engineering

None stated.

Finance

16. To develop management accounting.

Economics & Statistics

None stated.

(Extracted from Secretary of State's letter of 9/12/83 - not finally agreed)

The Minister of State (Privy Council Office) does not yet have a top management system on the Arts side. Lord Gowrie will select targets for improving sponsoring activity by the middle of the year and I will then discuss with him the targets for the coming period.

On the Management and Personnel side there is a full activity planning exercise which throws up a substantial list of activities. The main ones are to tackle promotion blockages, to introduce performance related pay, to improve retirement policies and to encourage the delegation of personnel management to line managers. Priorities are beginning to shape up. The next stage is to make progress on the urgency of action and on moving towards observable performance targets.

TARGETS FOR 1984-85

Setting Staffing Policies for the Civil Service

1. To run the first new course for staff entering the open structure.
2. To make staff reporting more performance-orientated.
3. To make proposals for introducing performance-related pay.
4. To streamline procedures for dealing with poor performance and inefficiency.
5. To explore whether and how to extend unified grading down to Principal level.
6. To develop further the succession planning system for senior posts.
7. To review training needs and opportunities for AS's and US's (PM action programme).
8. To induce departments to promulgate personnel policy statements and to prepare training strategies (PM action programme).
9. To extend as far as possible the authority delegated by the Cabinet Office. (MPO) to departments (Cmnd 9058 para 46).

Promoting good managerial practice and efficiency in the Civil Service

1. To work with Treasury and through the joint Financial Management Unit to help departments to implement the next stage in their financial management plans - in particular to help achieve the changes in managerial approach needed if the new systems are to be exploited.
2. To carry out in conjunction with the Efficiency Unit a programme of new efficiency work for 1984.
3. To ensure that the full benefit of current and past management and efficiency work is secured.

Central Recruitment

1. To secure a minimum 5% increase in productivity by absorbing that volume of extra business within existing staff ceilings and whilst maintaining existing standards of service.
2. To continue to improve the cost effectiveness and customer responsiveness of central recruitment services to departments, in particular by

- a. implementing the agreed recommendations of the review of administrative support services in the Civil Service Commission;

- b. producing a draft Action Document, within the 60-day timescale, on the recommendations contained in the report of the scrutiny of the Civil Service Commission, and initiating, in consultation with departments, implementation of those that are accepted;

- c. implementing the outstanding agreed recommendations of the Review of Fast Stream Selection Procedures and of the Review of Graduate Tax Inspectors.

3. In the light of the report on the scrutiny of the Civil Service Commission, to consider the scope for extending repayment for central recruitment services.

Central Training

1. To consider whether the system of repayment by departments for immediately job-relevant courses at the Civil Service College introduced in April 1983 should be extended to some or all developmental courses and to make arrangements accordingly.

Promoting Occupational Health

1. To rationalise civilian medical services over the whole Civil Service.
2. To introduce an occupational health nursing service into non-MOD(PE) area of Government.
3. To decide the scope for repayment for certain medical services.

MPO's Internal Administration

1. To introduce and test the Department's new management accounting system.
2. To achieve a 1% saving in manpower.
3. To improve the value for money delivered by MPO sponsored bodies and the basis of sponsorship.

OFFICE OF ARTS AND LIBRARIES

TARGETS FOR 1984/85

Internal administration

1. Work out the future organisation, staffing and specialist help needed. Complete initial study by end February.
2. Staff inspection in March.
3. To improve the arrangements for staff inspection in our major fringe bodies.

Sponsorship

4. Select priorities for improving sponsorship by end February.
5. To improve and extend the arrangements for internal audit in the National Museums and Galleries, preferably by means of a joint unit based on the British Museums.
6. To ensure that the Victoria and Albert and Science Museums, due to move to Trustee status on 1 April 1984, rapidly develop adequate systems for the information and support of their new governing bodies.
7. To exert appropriate influence on the remit given to the new Chief Executive of the British Library (due to take up office in the autumn of 1984) by the BL Board.
8. To ensure, through the Arts Council, that the Royal Opera House and the Royal Shakespeare Company develop and implement an adequate plan for securing the savings identified in the Priestley Report, and report their progress.

TARGETS AND WORK PROGRAMME
1984/85

Treasury Solicitors Department

New systems for improved efficiency following internal investigation of bona vacantia division.

Scrutiny of one of the litigation divisions.

Increase individual productivity in conveyancing.

Assess cost effectiveness of:

- (i) introduction of micro computer for accounting, debt collecting and handling bona vacantia and costs;
- (ii) data post and a document exchange for moving work to and from long distance typing posts;
- (iii) application of existing technology to improve production of typed work.

DPP

Reviews:

- (i) use and cost of one-off photoprint machines in other than the main photoprint room;
- (ii) cost effectiveness of HEO/EO's attending Courts long distances from London for minor matters eg bail applications and pleas of guilty in small cases;
- (iii) efficiency of the disposition of typing staff (previous review July 1983);
- (iv) scrutiny of legal publications purchased;
- (v) stock forms to be photoprinted instead of printed, or put on word processor machine;
- (vi) assessment (at nil cost) of electronic typewriters.

Law Officers Department

Improved efficiency with no additional staff and little expense through re-organisation and improvements in registry arrangements.

THE TIMES - Tuesday 3 April 1984.

ASSAULTING THE BUREAUCRACY

An important pledge by the Prime Minister has been more than redeemed this week. In the spring of 1980, the Prime Minister promised to reduce her direct labour force - the Civil Service - to 630,000 by April 1 1984. Yesterday the total stood at 628,182 if the Treasury's latest estimate is to be believed. She has cut 104,118 officials from a total of 732,300 she inherited from Mr Callaghan in 1979. Mrs Thatcher's assault on the bureaucracy has been the most successful of any Prime Minister since 1945.

A detailed plan for further economies is now being prepared which should reduce Whitehall manpower to 592,723 by April 1, 1988. Inevitably, the methods used for deflating swollen staff numbers over the past five years have been somewhat crude. Cash limits are a necessary but unsubtle discipline. The efficiency studies or scrutinies pioneered by Lord Rayner and carried on by Sir Robin Ibbs, Mrs Thatcher's current efficiency adviser on part-time loan from ICI, are a much more sophisticated method of relating workload to manpower. With luck and skill, the second phase of cuts should be more delicately achieved by the Rayner-Ibbs scalpel than the Treasury axe. The Government's financial management initiative, another Rayner invention, is providing

an infinitely better range of information for departmental managers, both ministers and permanent secretaries, than anything they have possessed before.

Mrs Thatcher's Efficiency Unit also has something to celebrate this week. After five years of probing and experimentation, the economies achieved as a result of investigations carried out in departments under the Unit's supervision means that £1m is being saved every working day in Whitehall. Out of the £16,100m it costs to run the state machine each year before a single Bill is drafted or Cabinet minute written up, a million a day looks tiny. But it is more than symbolic, it is an indication that the management climate in Whitehall has changed. The change is irreversible according to some of the more phlegmatic officials who were occupying top posts even before Mrs Thatcher arrived in Downing Street with her admirable efficiency fixation.

Sir Robin Ibbs and his tiny staff in the Cabinet Office are approaching a watershed, however. Their efforts have so far been concentrated on the 13 per cent of public expenditure devoted to the running costs of Whitehall and the armed forces (at £5.50 per week for every man, woman and child in the country, these are still too high as the Ibbs team is the first to admit). But

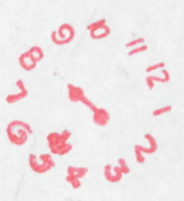
the view has hardened in departments that unless and until the unit can apply its techniques to the 87 per cent of public spending devoted to programmes, Sir Robin's scrutineers are doomed to remain in the foothills of efficiency and economy with no chance of storming the commanding heights. Cybernetically put, they must go for the output as well as input.

That will not be easy either technically or politically. The achievements of Lord Rayner and Sir Robin have relied to a very large extent on their suggestions winning consent from Cabinet ministers and permanent secretaries. Both breeds could cause trouble if they felt their cherished spending programme were under threat not just from Treasury sharks perpetually gnawing at budgets, but from an arriviste group in the Cabinet Office, basking in the sunlight of prime-ministerial approval. It would be a pity if Sir Robin was deterred by that. It would be a pity if Cabinet ministers and permanent secretaries took such a narrow view of the public interest. The extension of the Rayner-Ibbs systems to spending programmes is a challenge worthy of Mrs Thatcher's second term. Never has a prime minister been better placed to achieve a lasting improvement in the quality of public administration.

Count Mach: Rayner P415



2 - MAY 1984



3 - MAY 1984

PRESENTATION TO CABINET MINISTERS ON VALUE FOR MONEY
10 MAY 1984

I shall speak for about 10 minutes and use some supporting slides. My theme will be the need and scope for getting better services at lower cost out of existing public expenditure totals. I shall emphasise that it is up to Ministers to ensure that departments realise this has to be achieved, and to give a sense of urgency - they are the key motivators. I shall explain that my role is to provide support and practical experience from the private sector.

I assume you will wish to introduce the session. You might say that shortly after you appointed me you asked me to concentrate on helping Ministers use the newly developing financial management systems to get real improvements in performance quickly. Since then, in your regular discussions with me, it has become clear that value for money is the right concept on which to focus all this work. You thought it would be helpful for colleagues to hear from me briefly on progress and opportunities for the Government.

At the end of my presentation I shall show a slide about practical steps Ministers can take to move departments further along the right lines. I expect colleagues will wish to discuss these and other issues briefly. (I have deliberately avoided telling officials the content of my talk in advance so that the freshness will not be lost and hopefully so that there will not be a mass of defensive departmental briefing.)

In closing the session you may wish to draw on the following points:

1. The importance of getting a widespread belief that the only sound way forward is to get more out of what is already in budgets.
2. The big difference a Minister can make if he is known regularly to ask what improvements in value for money have been achieved recently in whatever area of operation he is considering.
3. It is right to expect performance to improve continually year by year. To deliver that is the job of managers at all levels in the civil service.
4. You have in mind to have regular meetings with small groups of Ministers to talk about the actual improvements in value for money their departments have made in, say, the past six months. A first such session is planned for the summer and others will follow in the autumn.

I am sending a copy of this minute to Sir Robert Armstrong.

Robin Ibbs

bb. ROBIN IBBS
3 May 1984

Value for money

- the . improve performance

Better value often greater output.

More output for available income

People resist change

- political pay off.

Services and human - no Next Next Next
of withholding.

Customer have . more value for
money

Commit What we need it,

Spoke of to is just talk

Targets - concentrate attention

Management of Central Bank.

Rules for to identify and solve
these problems

Compliance Costs

New Targets

} Targets in detail



DB to see

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

nbpm
26/4

My ref:

Your ref:

25 April 1984

Dear Chief Secretary

DEVELOPMENT OF THE PROPERTY REPAYMENT SERVICES SYSTEM (PRS)

As you will know, an Inter-Departmental Committee has been considering further developments in the PRS arrangements following those we agreed last year, and will be reporting soon on proposals for individual market rents, charges for fuel, responsibility for internal decoration work and other matters. I am writing to you in advance as some of their recommendations would have implications for the conduct of the 1984 Public Expenditure Survey if implemented in 1985-86, and I also want to deal with a procedural issue on the funding of maintenance which ought to be settled before Departments' work on the Survey is too far advanced.

ACCOMMODATION CHARGES - WORKS SERVICES

Attached
At Cabinet on 9 February I drew attention to the state of our stock of capital including the government's civil estate and suggested a general review, but it was decided that the need for expenditure to keep the capital stock in a satisfactory condition could only be looked at individually, and in relation to the funding position of the programmes concerned. For the property they occupy under PRS, departments will need to consider the need for the small works for which they are now fully responsible. PSA continues to be responsible for assessing the overall need for expenditure on the larger maintenance and minor new works, but departments are also involved since this work is funded via the Accommodation Charge and the cost thus falls on their public expenditure provisions, not that of PSA.

PSA has explained, both in the course of the 1983 Survey and in discussions, involving Nigel Mobbs, since then that the amounts now being paid by departments, particularly for maintenance, are not enough to cover all the work which needs to be done to keep the estate in satisfactory condition. In fact the situation became so critical in 1983/84 that PSA were in danger of having to stop placing any more orders for work part of the way through the year. The problem was dealt with temporarily in 1983-84 by using savings from elsewhere in PSA's Cash Limits to boost spending on maintenance. I also persuaded you during the 1983 Survey that some extra money should be made available in 1984-85 and later years. In view of the need to do something quickly this bid was made as part of the PSA Office Programme, but under the

PRS arrangements I do not think it is right for me to continue to submit a central bid for extra money which would in practice be transferred to other Departments' programmes and then used by them to make increased payments to PSA. The correct approach seems to be for PSA to fix the charges and then leave it to departments to see how these can be fitted into their overall budgets, presenting their own bids to the Treasury if they need to do so. There is of course a need to agree on what the total amount of work financed by these charges should be. I think that at least in the short term this can only be settled by the discussions our officials have been having in recent months about future maintenance requirements.

This then is how I suggest the 1984 Survey should be tackled, and I would be glad to know if you agree. I am copying this letter to colleagues since they should know as soon as possible of developments that will affect their Survey calculations. Accordingly PSA's Principal Finance Officer will shortly be writing to officials in all departments concerned to give more details of the case for the work and the increased charge proposed, which amounts to about a 23% increase in the works element, or about 4% in the total accommodation charge. The intention would be to carry this increase through to the end of the Survey period, but to review before the 1985 Survey what should be done about 1986-87 onwards, as the current expectation is that there will still be a large backlog of work needing to be done over the next few years. The increase would be applied to both maintenance and minor new works, but it is only in the former case that it will significantly increase the volume of work done. For minor new works most of it will be taken up by the increase in VAT. This will mean that we shall still not be able to finance much cost-effective work on Spend to Save measures, for which I also made a bid in 1983 but was not able to secure extra funds. We will continue to explore ways of increasing spending in this area bearing in mind that many of the projects on the estate rationalisation side of the programme are major new works and so, as PRS arrangements now stand, have to be paid for from the PSA's Office Programme funds.

ACCOMMODATION CHARGES - RENTS AND RATES

The rental element of the Accommodation Charge for office and storage space has been based on market rents averaged by region, but the Committee will recommend that these be replaced by individually assessed rents which will mean that all rents charged will reflect the current market value of the accommodation concerned, a big step forward. Rates will be put on to an individual property basis at the same time.

The necessary work (which PSA has already started) will take some months to complete, and the full details of the

rents to be charged cannot be given to Departments until about August 1984. This would still be in time to use the figures in the 1985-86 Estimates if Departments agree, but there could be problems for some in PES terms. Individual rents could be markedly different from the average figures they replace, and whilst for large Departments the swings and roundabouts principle may leave total rent bills more or less unchanged others may find their 1985-86 payments either significantly higher or lower than previously expected at a time when this cannot be reflected in the 1984 Survey.

Bearing in mind difficulties experienced in the first two years of PRS over reflecting PRS costs in the appropriate Survey exercises, I think it might be best if the new rents notified this year did not come into effect until 1986-87, thus giving nearly a year for Departments to adjust budgets to them. However for our part we would be prepared to operate the new system from 1985-86 if Departments prefer this. In either case PSA will aim to notify the new rents to Departments by August. Whatever we did for rents should also I think apply to rates. I should be grateful for colleagues' views on this. The letter from PSA's PFO will indicate what levels of rent are expected to be charged in 1985-86 if we continue to use average market rents in that year.

OTHER CHANGES

The Committee is looking at possible changes in the method of charging for fuel and utilities and in responsibilities for internal decorations, but as far as can be seen at present these will not alter expenditure relative to existing provisions in a significant way and can be left to be dealt with later in 1984 without affecting the current Survey exercise.

I am copying this letter to the Prime Minister, and all members of the Cabinet and other Ministers in charge of Departments; and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours sincerely

J R Jenkin

for PATRICK JENKIN

Approved by the Secretary of State

and signed in his absence.

23 Nov 1984





MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~800000~~ 218 2111/3

MO 26/2

17th April 1984

*DWB
19/4*

Dear David,

SCRUTINIES AND VALUE FOR MONEY

Thank you for your letter of 8th March.

Mr Heseltine shares the Prime Minister's presumption that scrutinies should lead to prompt decisions and action and her concern that momentum should be maintained in giving effect to the outcome of scrutinies, including earlier value for money work. The position on the three specific cases referred to in your letter is as follows.

Contracting Out Major Aircraft Repair

The reference is to two separate studies. The first recommended a wide ranging examination of contract repair, not confined to aircraft and equipment outside the front line. The second made recommendations about first and second line servicing of training and communications aircraft and about other station tasks, including supply. The figure of £16M was an admittedly crude and illustrative assessment in the first study of the annual savings which might be realised after incurring about £16½M on the costs of redundancy and further unspecified costs on increasing stock levels against the longer lead times required by industry to undertake contract repair. The study recommended that more refined costings should be undertaken.

These costings, which allocated overheads more accurately, do not bear out the results of the earlier work. Further examination has also pointed up the weight which should be given to other factors, for example, timescale, operational readiness and effectiveness in emergency. We are nevertheless seeking to open more RAF repair and servicing to competition, particularly in the training, communications and miscellaneous aircraft fleets. In addition to spares procurement, which comes entirely from industry, some

D Barclay Esq



35% of aircraft servicing and repair by value is already done in industry and about 50% of the major engineering and modification work. Further benefits will come industry's way following a recent decision to contract out work on Canberras and Hunters. In addition, a trial contract is about to be let for first and second-line servicing at an RAF flying training station at Linton-on-Ouse. Preparations are being made to let similar contracts for servicing of aircraft of University Air Squadron and Air Experience Flights, if this trial is a success. We are also examining the scope for introducing industrial competition for the major servicing of Nimrods, and contract servicing of the Hawk fleet is under consideration. If the requirement for a new basic training aircraft is endorsed, we shall want to look at contract servicing for that. You should also be aware that a great deal of major aircraft servicing and refurbishing work is already done by industry. Work on Canberras and Hunters has recently been transferred to industry and we are examining the scope for introducing industrial competition for the major servicing of Nimrods.

Efficiency in the Issue of Service Pay

The recommendations of the 1983 Report on the arrangements for the issue of Service pay - that the Army and Navy should bring their ratios of pay staff to payees into line with that of the Air Force - have been accepted and form part of the Action Document approved by Defence Ministers. Implementation will be progressive over the next year or two as complementing reviews weed out posts considered to be dispensable. For the Navy an important consideration is the introduction of central pay determination and the use of the Bankers Automatic Clearing System (BACS). These are dependent on the introduction of the new 2900 computer at the Navy's Pay and Record office at HMS CENTURION in Gosport. It is hoped to have the new computer operating by the end of this year, and to introduce central pay determination using it in 1986.

The Meteorological Office

Your figure of £7M refers, I believe, to the potential annual savings in the cost of running the Meteorological Office identified in the recent Resource Control Review of the Office. The range is £5.7M - £7.5M a year over a period. £2M - £3.3M of these figures arises from expectations of increased income rather than from savings of resources. They depend on fairly drastic curtailment of the free public service, the creation of joint ventures and a general marketing drive. Above all they depend on a political solution to the problem of pirating, by the admittedly few commercial competitors that exist, of basic data and analyses transmitted by wireless for WMO exchange purposes and from satellites, the UK cost share of which has to be borne by



the Office and is reflected in their charges. We are consulting other Departments about these measures. Our present assessment is that some of the curtailment of free services suggested in the Review is too drastic.

Of the remaining £3.7M - £4.2M annual potential saving most stems from a suggestion that forecast and observational services for the RAF might be centralised. This has important implications for flying operations and we aim to reach conclusions shortly after Easter. If the proposal is found feasible, considerable initial investment in further automation, communications and systems development will be needed over a period of years. Some £0.9M of the potential annual saving concerns equipment and other changes which are being decided and implemented progressively within available capital and staff resources. Momentum is being maintained through an Action Plan approved by Defence Ministers who receive regular reports on progress.

*Yours ever
Nick Evans*

(N H R EVANS)

Govt Machinery Post

Laynor



19 A - 100





ck no

CABINET OFFICE

From the Minister of State
Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 8610

16 April 1984

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries and Food
Whitehall Place
LONDON SW1A 2HH

nbpm
JMB
12/4

Ben Michael

Thank you for your letter of 10 April. I value your support for close collaboration between our departments on efficiency matters and I am glad of your offer to join in three of the studies I suggested. I also welcome what you say about registries and office technology systems. We will do all we can to help.

We are, in fact, still taking soundings on topics for this year's multi-department reviews. (My officials have had informal contacts with yours.) But I can assure you that we fully appreciate the need to integrate the various exercises. My people will be in touch with yours again in the next few weeks to carry the preparations forward.

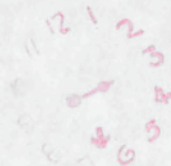
I am copying this letter to recipients of the original correspondence.

Louis
[Signature]

LORD GOWRIE

Gost Machinery
Pt 15 Raynor

1984



copy

DNB
17/4

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

16 April 1984

Dear David,

SCRUTINIES AND VALUE FOR MONEY

With the agreement of my Secretary of State I am replying to your letter of 8 March on this subject. My Secretary of State entirely agrees with the importance of maintaining momentum in carrying through the recommendations of scrutinies to decision and action. In particular he has been monitoring the responses of the Research Councils as recorded in their Action Documents following the reports on the scrutiny of their support services; and has commented in some detail to the Heads of Research Councils, pressing for further evidence of progress particularly on some substantial recommendations concerning the possible sale of property.

It is our impression that processing of the Scrutiny Reports by the Councils has been thorough, sometimes requiring reassessment of the scrutiny analysis, and in every case going through the Council itself. In all there were 234 recommendations of which 224 were addressed to the Councils and 10 to DES. Out of this total decision has been reached on some 221; and of these only 12 have been rejected. It seems to us that where recommendations are still under consideration there are good reasons, in the main relating to their magnitude or complexity.

The scrutinies identified possible savings of about £5.3 million once-for-all and about £3.2 million recurrent. Recommendations rejected by the Councils account for only £0.02 million and £0.05 million of the once-for-all and recurrent savings respectively. Recommendations accepted by the Councils account for virtually all of the balance of the proposed recurrent savings and about £3 million of the once-for-all savings. Decisions on two possible

/large

David Barclay Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

large savings (Herstmonceux Castle and houses, and houses at the Rutherford Appleton Laboratory) are outstanding but we expect to hear shortly from SERC about these.

Broadly speaking, the Secretary of State sees the final decision in a particular matter as being for the Council to take; and the Department's role that of monitoring overall progress and of being satisfied, where rejection or major modification of a recommendation is in prospect, that the Council's analysis has been thorough. We see this scrutiny as consonant with, and part of, the larger exercise of implementing FMI principles in the Councils. The Secretary of State has asked Mr Peter Brooke to take the lead in this latter undertaking and he will shortly be writing to Councils inviting their individual responses, to be discussed with him one by one. In that context, and in the light of the six-monthly progress reports which we and Councils will be making, Mr Brooke will where appropriate press for further progress on the Rayner scrutiny. Thus both at Ministerial and official levels we shall be keeping up the pressure on Councils - a pressure they themselves have every incentive to sustain in seeking to get the best possible value for money from the Science Budget.

Copies go to the recipients of yours.

Yours ever,

Elizabeth

MISS C E HODKINSON
Private Secretary

RAYNER SCRUTINY OF RESEARCH COUNCILS' SUPPORT SERVICES

Summary of progress from Action Documents

	AFRC	MRC	NERC	SERC	DES	Totals
1. No. of recommendations	39	86	56	43	10	234
of which: accepted	38	76	49	37	9	209
rejected	1	4	5	2	0	12
under consideration	0	6	2	4	1	13

2. Savings (n.a.: not applicable)

(i) Once-for-all						
accepted	£2M	(-£0.092M)	n.a.	£0.5M*	n.a.	£2.5M
rejected	0	n.a.	n.a.	£0.02M	n.a.	£0.02M
under consideration	0	n.a.	n.a.	£2.55M	n.a.	£2.55M

* plus £0.65M for buildings diverted to other use

(ii) Recurrent						
accepted	£1.4M	£1.0M	£0.27M	£0.48M	n.a.	£3.15M
rejected	(£0.3M*)	0	£0.05M	0	n.a.	£0.05M
under consideration	0	0	0	£0.1M	n.a.	£0.1M

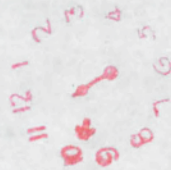
*Savings reassessed at lower figure

3. Implementation target dates:

	No. of recommendations					
By end April 1984	10	56	40	9	6	121
Additionally, by end 1984	16	19	4	10	1	50
Additionally, by end 1985	11	3	4	5	2	25

Govt Machinery
PT 15 Raynor

17 APR 1984





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

From the Minister

The Rt Hon The Earl of Gowrie
Minister of State
Cabinet Office
Management and Personnel Office
Great George Street
LONDON SW1P 3AL

*nbp
JMB
10/4*

10 April 1984

14
EFFICIENCY STUDIES OF COMMON ACTIVITIES

Thank you for your letter of 28 February in which you suggested that this Ministry might participate in five of the studies which you plan for 1984/85. I am of course anxious to collaborate with your officials and benefit from their central expertise. Nevertheless, the particular suggestions which you have made do not fit well with the priorities we have already established. I will explain as follows:-

(a) Domestic travel

The Efficiency Unit has separately proposed a multi department review of cash management, with particular reference in the case of MAFF to travel and subsistence. My officials will shortly be discussing with the Efficiency Unit the contribution which they can make to this review. We would also be happy to explain to your officials the arrangements we have for controlling domestic travel costs and for allocating budgets to regional and other managers. But two simultaneous review exercises in this area would be difficult to handle.

(b) Training management

We would not give this high priority at the present time, or be able to provide a special review officer ourselves.

(c) Office services, management and control

We have recently carried out inspections of our Office Services Division; copies of the resulting reports will be made available to your officials.

/(d) Accommodation

Grant Mack: Rayner Pt 15

(d) Accommodation utilization and management

Here again, the Efficiency Unit has separately suggested to several Departments that there should be a multi department review. Clearly this proposal needs to be co-ordinated with the suggestion in your letter as well as with the continuing work on the development of PRS. This is an area where a well focussed and co-ordinated multi department study could be useful; and my officials will be discussing this further with the Efficiency Unit.

(e) Workshops

I am not entirely clear what you have in mind here but, as with (b) above, we would not see it as a high priority for this Department.

So much for the studies in which you have suggested a MAFF participation. But, conversely, there are other studies in which we have a more immediate interest. I refer to:-

(a) Registries and Registry Management

We have just begun an experiment with a decentralized registry flowing from our Rayner Review of Paper Generation. We should be very happy for your officials to join with us in the conduct and evaluation of that experiment.

(b) Implementing Office Technology Systems

We are about to embark on a major office automation pilot trial covering the whole of one of our HQ Under Secretary Groups. Here again we would welcome the collaboration of your officials in the monitoring and evaluation of this trial.

To sum up; we look forward to appropriate collaboration in three of the five studies you have suggested for us; and would like to be involved in two further ones. Exactly how this should be done is best followed up, I suggest, between your officials and mine.

I am sending copies of this letter to the Prime Minister, other recipients of your letter and to Sir Robin Ibbs and Sir Robert Armstrong.

MICHAEL JOPLING

11 12
70 APR 1984

FCB 84



10 DOWNING STREET

From the Private Secretary

SIR ROBIN IBBS

The Prime Minister was grateful to you for reminding her about the DHSS Handbook of Good Practice in your letter of 3 April to Sir Geoffrey Otton. She had a look at the Handbook over the weekend, and was impressed.

DB

DAVID BARCLAY

9 April, 1984

Lo



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

5 April 1984

David Barclay Esq
10 Downing Street
LONDON SW1

DMB
6/4

Dear David,

SCRUTINIES AND VALUE FOR MONEY

Your letter of 8 March enquired about progress on scrutinies in the Chancellor's two revenue Departments.

Customs 1982 Scrutiny of Import Entries

The report of this scrutiny was not published until 26 October 1983.

The two principal recommendations are highly controversial - the reduction of controls demanded by other Government Departments and the registration of Customs agents. Since publication, Customs have needed to undertake extensive consultation with the Departments and trade interests concerned and these are only just reaching completion. The draft action document should reach Ministers by the middle of this month but we fear it may not be possible to reach agreement with other Departments at both official and, if necessary, Ministerial level within that timescale.

Inland Revenue scrutinies

Two of the three Inland Revenue scrutinies were held up while Ministers considered the future of the rating system but they are now making worthwhile progress. The other scrutiny has already achieved over 1,500 staff savings with a further 120 probably still to come from a major computerisation project.

(i) Rayner review of rating procedures

This Rayner scrutiny was completed in 1980 and proposed simplified procedures for altering the current valuation list, with potential savings of 270 staff. Progress was delayed while Ministers took decisions on the future of rating as a whole. DOE issued a consultative document in September 1983 and following consideration of the response by DOE and Treasury Ministers, proposals were included in the current Rates Bill. These should achieve up to 70 staff savings by 1986-87.



Another item in the Rates Bill could produce 25 further savings but the scale of the savings depends on the extent to which Rating Authorities choose to become involved in appeals after April 1985. We should achieve a further 40 savings in the Valuation Office when the valuation lists are computerised but this will not occur before 1986-87.

DOE and Treasury Ministers have agreed that of the 270 staff savings identified, the balance of around 135 cannot be achieved under existing local authority arrangements for dealing with revised rating assessments. At present, they are processed manually but the resulting delays mean that the change recommended by the Rayner scrutiny could not sensibly be implemented at present and would probably achieve no staff savings. However, the Inland Revenue intend to return to this point when Rating Authorities have made further progress with the computerisation of their procedures.

(ii) Schedule D

This scrutiny was completed in 1981 and the recommendations which were accepted yielded potential staff savings of around 1,650. All but one have now been implemented and over 1,500 staff savings have been achieved in the Revenue.

The outstanding recommendation concerns the procedure for notifying to the Revenue's computerised Accounts Offices amendments to the amount of tax charged in an assessment. At present, the computer performs a check by reconciling the amended charge with the original charge and rejects cases where there is an error. The scrutiny recommended abolishing this check. But experience of the automated collection system has revealed difficulties which have led in some cases to the issue of incorrect demands for tax.

The problems lie in the combination of a manual assessing system and an automated collection system. They could not have been foreseen at the time of the scrutiny. If they could have been, the recommendation would almost certainly not have been made. The solution is to automate the Schedule D assessing process. This would allow the final slice of savings to be achieved from the Schedule D scrutiny but could also give other advantages in terms of improved service and substantial staff savings. Treasury Ministers are now considering proposals for introducing such a system over three years, starting in 1987-88.

(iii) Rayner review of visits

Savings in the Inland Revenue's Collection Offices of around £650,000 per annum have already been achieved by implementing proposals from this scrutiny. The bulk of the staff savings



identified by the scrutiny (around 260 staff) relates to proposals to reduce the number of visits made by Valuation Office staff. The recommendation is that for domestic property they should work instead from plans deposited with the local planning authority.

Ministers agreed initially that no action should be taken on this recommendation until decisions had been reached on the future of rating. However, the Inland Revenue have now started a pilot survey to see how often plans are available and what differences result in practice from the present assessments, based on visits, and those resulting from details of plans. Full results should be available from the survey by the end of 1984. Depending on the findings, there may need to be consultation with DOE Ministers who would be responsible for any necessary legislation.

I am copying this letter to those who received yours.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA

AS has seen.



DEPARTMENT OF HEALTH & SOCIAL SECURITY

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

Telephone 01-407 5522 ext 6618

From the Second Permanent Secretary

SIR GEOFFREY OTTON

D M Barclay Esq 4 April 1984
Private Secretary
Prime Minister's Office
10 Downing Street
London SW1

Dear David,

HANDBOOK OF GOOD PRACTICE: SERVICE TO THE PUBLIC

Sir Robin Ibbs has sent the Prime Minister a copy of his letter of 3 April to Sir Geoffrey on this subject. You may therefore like to have the enclosed copy of the Handbook. I am also sending a copy to Richard Hatfield.

Handbook filed in useful docs.

Yours
Mep
Mrs M Kirk
Private Secretary

Govt Machinery : Raynes 1415.



6 APR 1984



CONFIDENTIAL

- 5 APR 1984





EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412

Direct line : 01-233 7359

3 April 1984

Prime Minister ²⁾

Sir Robin Ibbes thought you might be interested to see this DTSS handbook of good management practice. He thinks highly of it.

Sir Geoffrey Otton KCB
Second Permanent Secretary
Department of Health and Social Security

DMB
4/4

Dear Geoffrey,

HANDBOOK OF GOOD PRACTICE: SERVICE TO THE PUBLIC

I have just seen the Handbook published last July and am writing to offer congratulations both on the idea and on the fertile range of innovation the booklet shows. I am pleased to see the way in which many local offices have responded to your lead in calling for customer service to be put high on the scale of values. I am sure you are right to stress the importance of personal responsibility and accountability by the individual staff member for achieving good customer service.

Much of the booklet's strong impact comes from the examples, time and again, of practical action which line management in other offices can adopt and adapt. And I liked your willingness to tell the story as it really is - thus it is sad to see the comments on page 28 about vandalism and pilfering but a tribute to the staff that they have not given up even in those circumstances. By contrast, the example on page 60 from Stoke (North) was very encouraging.

Another lesson well brought out, I thought, was the necessity of staff seeing themselves as part of the community - and the contribution that opening up to media visits (admittedly in one of the more gentle parts of the country) can make. There is much that is very good in those who come to work in the public service. Allied to purposive management, which shows a proper concern for the taxpayer's money this is a powerful combination.

Once again, congratulations on this booklet. I think it marks a real step forward and I am sending a copy of this letter to the Prime Minister so as to draw it to her attention. I am also sending copies to Robert Armstrong and to Kenneth Stowe.

Yours sincerely,
Robin Ibbes

pp.

ROBIN IBBS



[Faint, illegible handwritten text, possibly bleed-through from the reverse side of the page.]



E 4 APR 1984

PRIME MINISTER

CF: please pa

I have spoken on these lines
to DHSS and the Cabinet Office.

Sub
2/4

NHS RECRUITMENT ADVERTISING

Attached is a paper for H. Committee by Mr. Fowler which takes up a recommendation of a Rayner scrutiny. The proposal is for a jobs register put out to competitive tender among private publishing firms which health authorities will be required to use for all national NHS vacancies. This would save £7 million a year. There would undoubtedly be opposition from a number of established professional journals which are largely financed by job advertisements, but with savings of £7 million in prospect, Mr. Fowler does not think that this is a critical factor. Altogether, a good example of the kind of ideas which can be thrown up by scrutinies.

D

Alternatively we could use the
£7m to persuade the
Society substantially to
reduce their advertising charges
mb

30 March 1984



CC N.O.
SJR. 1665

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

David Barclay Esq
Private Secretary
10 Downing Street

30 March 1984

Dear David

nbpm
DMS
2/4

SCRUTINIES AND VALUE FOR MONEY

Thank you for your letters of 8 and 14 March about improving value for money in Government through the programme of scrutinies.

As you say, this Department has a good record in this field both within our own programmes and in the NHS. We regard the scrutinies as part of a comprehensive strategy for improving management and efficiency which we will continue to pursue vigorously. Scrutinies do, of course, present their own problems. Further analysis can show difficulties not apparent to scrutineers, circumstances change and so it cannot be expected that every scrutiny should be completed within a specific period. Yet, that said, we have found that sufficient drive and enthusiasm ensure that the momentum is sustained.

On the specific scrutinies covered in your letters, you mentioned the gradual build-up of savings indentified by the scrutiny of Benefit Payments. The savings arise in two main ways:-

- a. payment of child benefit four-weekly rather than weekly. Ministers took an explicit policy decision that existing beneficiaries should be able to continue to receive payment weekly if they wished: the slow build-up merely reflects the slow turnover of recipients;
- b. payment of benefit by credit transfer rather than order book. Here again there was an explicit policy decision not to make credit transfer obligatory, even for new claimants.

In both cases we could try to bring the savings forward by greater publicity for the new methods. Any significant changes here would have immediate implications for the viability of the Post Office network, particularly in rural areas, and the Prime Minister will be aware of the political difficulties in this field.

The changes in working practices, which it was envisaged in the scrutiny on the Validation of National Insurance Contributions Records could save £25 million are to be introduced from April 1984. It is not possible at this stage to say how far the estimated saving, resulting from reductions in staffing, can be achieved. Until the new work processes have in operation on a national basis for some time, their

effectiveness as compared to previous methods cannot be measured. But we should point out that over the last two years, because of a substantial reduction in contributions and compliance work due largely to implementation of other recommendations in the scrutiny, the number of staff has already reduced by 40 per cent. This reduction will have subsumed some of the estimated £25 million saving.

The report of the scrutiny on Benefits For Those in Hospital and Residential Care was presented in January 1983. It was a formidable and highly technical document. It affected a large number of interests, including several policy branches responsible for national insurance benefits, supplementary benefits and war pensions; the policy branches concerned with the health authorities on the administration of patients' monies, and the central offices responsible for the making of significant numbers of benefit payments (where computer programming considerations were involved). Ministers met the Rayner team in February 1983 and an initial Department response was submitted to Ministers in April 1983. This recommended acceptance of many of the team's proposals, but foreshadowed some exploration of an alternative plan for the timing of benefit adjustments. Ministers are now considering this further advice which could promise more ready acceptance.

Meanwhile, in answer to a PQ from Alf Morris MP, the publication of the Rayner Report was refused but a commitment was made to have prior consultation with all concerned before any major changes in policy or procedure were made. We have prepared a draft consultation document but several inter-related initiatives have been coming to a head at the same time. The Oglesby Report (attendance allowance and mobility allowances procedures and medical adjudication) contains references to the patient's monies aspects of the report and revised guidance for health authorities regarding the effective use of patient's balances is also nearing completion. The content and timing of the issue of these documents is crucial.

The report of the Joint DE/DHSS scrutiny on payment of benefit to unemployed people made a total of 81 recommendations of which 33 have been implemented, 14 have been subsumed by other changes, 16 have been rejected and 18 are still under consideration.

By the end of this year in DHSS savings of £15.5 million including 2,032 posts will have been made directly or indirectly as a result of the report. The recommendations which are still under consideration fall into two categories: those which could possibly be implemented in the short-term and those which can only be considered in the long-term context of the DHSS Operational Strategy.

The most significant of the former category fall to DE. Within DHSS the recommendation relating to fraud staff is being considered as part of the Traffic Study proposals. The other significant recommendation relates to milk tokens and for that we are giving active consideration to an alternative scheme with similar potential net savings.

Of the recommendations being kept under review in the long-term context of the Operational Strategy by far the most significant, although formally rejected for the purpose of the scrutiny, is that which proposed that work on supplementary allowance for the unemployed should be transferred to unemployment benefit offices, that DHSS staff should be moved to those offices and that each clerk in the re-modelled benefit office would deal with both unemployment benefit and supplementary allowance work. This was estimated in the report to involve one-off costs of £45 million to £90 million, giving a recurrent saving of £7 million to £11 million (including 2,580 staff). These potential savings have, however, been eroded to some extent by the introduction of the postal claim form of supplementary benefit.

E. R.

The only other significant recommendation being considered in this context is that the Department should make definite arrangements for uprating supplementary allowance for the unemployed automatically (at a capital cost of £2 million giving savings of £0.7 million per annum including 220 staff). It is possible that earlier implementation of this recommendation might be achieved by enhancing the Local Office Micro-Computer System but the main priority is to get that programme itself implemented.

I could perhaps also refer to one recommendation in that scrutiny which has recently been rejected by Ministers, that is the alignment of pay periods for unemployment benefit and supplementary allowance which the report expected to yield £16 million in benefit savings and 155 staff savings. It may prove possible to achieve some of those savings other than by alignment to the pay periods and work on this is in hand.

You will see from our previous achievements and from the above that we have placed considerable emphasis on the drive for administrative efficiency. We will, of course, continue to do so both within the Department itself and in the NHS, making full use of computers and information technology. However it is the programmes themselves that account for the vast majority of our expenditure. That is why we are now devoting greater attention to a series of programme reviews with an eye to ensuring that there also we achieve full value for money.

I should add that we conduct regular reviews of the progress on implementing scrutiny recommendations through the Management Team here which is chaired by the PEO

Yours
Steve

STEVE GODBER



CCNO
SJ R. Ibbes

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

nbpm
Ibbes
28/3

27 March 1984

Dear David

SCRUTINIES AND VALUE FOR MONEY

Your letter of 8 March about the 1982 Resources Control Review of PSA District Works Offices came just as my Secretary of State was about to reply to Robin Ibbes' annual round up on progress on scrutinies. For background, I enclose a copy of the reply.

There are two sets of recommendations which the Review considered should lead to substantial savings. The first deals with maintenance procedures for mechanical and electrical services and on this we have implemented the recommendations. The only question that remains is whether the savings the Report assumed will result. Our preliminary view is that they have been over-estimated. The second aimed to provide a firm financial basis for 3 year programmes of work, the key requirement being that under or over-spends could be carried forward from one year to the next. This of course would mean a change in the Government's attitude to end-year flexibility on which we have held discussions with the Treasury at both official and Ministerial level (in which Mr Nigel Mobbs has taken an active role). The Treasury have not been able to agree a major change in the rules to cover over-spends and to bring in all maintenance expenditure. But they do support the idea of longer-term programming. Following a meeting with them earlier this month, we are pressing ahead with work on new arrangements covering the civil programme, which we aim to have in place later this year.

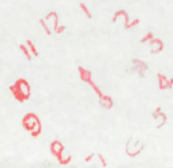
There are a whole range of smaller and largely unquantifiable recommendations arising from the Review, some of which overlap or complement with those arising from the Wardale/Touche Ross Report. The Secretary of State will be considering shortly a submission on the outstanding recommendations of this review and its overlap with WTR.

Yours sincerely
John Ballard
J F BALLARD
Private Secretary

David Barclay Esq

Govt Nach: Rayner
PT 15

F2 APR 1984



STATE

N. Cates
[Signature]

PS/Mr Harrop
PS/Mr Alfred
Mr Ennals
Mr Keiser
Mr Osborn
Mr W. Suite
Mr Edmonds
Mr Atherton
Mr Hawtin
Mr Burr

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

Mr Heighland
Mrs Thomas
Miss Prest
March 1984

Dear Robin,

Thank you for your letter of 6 February about your programme of work.

I am glad to know that your unit is going to make some input to our current review of the Urban Programme. This programme is making a vital contribution to the improvement of poor living conditions in inner cities, but it is a difficult programme in FMI terms since it is hard to establish simple measurable outputs. We welcome the help that your unit will be able to give on this.

On our review of the role of finance divisions we shall look forward to receiving your comments. As we are now moving into the implementation phase on that report I hope these will not be too long delayed.

On targets for improvement in 1984/85, we will as you suggest be in touch again when the MINIS round is complete.

In the PSA we are pressing ahead with the implementation of recommendations from the Wardale/Touche Ross Report and the 1982 DWO Resources Control review. £22m of the £25m savings foreseen in the Resource Control Review came from changes in planned maintenance routines for mechanical and electrical services and in the funding and controlling of maintenance expenditure. On planned maintenance the necessary instructions were given in December 1982 and savings will have been reflected in the bids for maintenance funds in 1984-85. On funding, we have not yet been able to reach agreement with the Treasury on the easing of the annuality rules with regard to maintenance expenditure which is a prerequisite for the achievement of the savings. As far as the proposals to restructure the Agency are concerned, we expect that if these go ahead they should result in substantial improvement to customer departments once the transitional period is over.

On Ordnance Survey, I am grateful for your offer of help if we need it.

[Signature]
[Signature]

PATRICK JENKIN

Mr Watson

392/13
1/3/20

Sir Robin Ibbs



28 FEB 1984





DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215) 5422
GTN 215)
(Switchboard) 215 7877

JH 109

PS/ Secretary of State for Trade and Industry

26 March 1984

David Barclay Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

DNB
26/3

Dear David,

SCRUTINIES AND VALUE FOR MONEY

In your letter of 8 March, you asked if my Secretary of State could consider how implementation of the 1980 scrutiny of the Patent Office might be expedited.

2 The Secretary of State attaches importance to the efficiency strategy programme, and is in full agreement with Sir Robin Ibbs on the future development of this out of Departmental efficiency programmes in consultation with the Efficiency Unit. There has been an intensive work programme in this Department with five recent reports, four of which are very recent with action documents in preparation. A major priority for 1984 must be maintaining the momentum to implement action decided upon for these and other efficiency work.

3 It is not the case that action is outstanding in any general sense on the Patent Office scrutiny. Difficulties have arisen in one major respect only, the computerisation project. This has proved to be much larger and more difficult than had been anticipated, and the need for reassessments of strategy and direction has caused delay. This has been the lesser evil, to make sure that the end product meets the needs of the Patent Office. The Secretary of State is, however, anxious that all possible speed be made, and additional resources have been allocated to this project. Officials here will be briefing the Efficiency Unit on the details.

4 I am sending copies of this letter to Sir Robin Ibbs and Sir Robert Armstrong.

Yours ever,

RUTH THOMPSON
Private Secretary

GOV MACH : Rayner : PC-15.

26 MAR 1964





nbpm
DmB
26/3

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

MO 2/2/6

26th March 1984

EFFICIENCY STUDIES OF COMMON ACTIVITIES

PE 14

Thank you for sending me a copy of your letter of 28th February to Leon Brittan about Efficiency Studies of Common Activities.

I welcome your work on common activities and the "Management Guidelines" which have been produced as a result. My people will be ready to work with yours as they have done in the past. As to the specific areas you raise in relation to the MOD:

- a. On reprographics, the MOD has been carrying out a range of reprographic studies since 1980/81. These have resulted in an increase in the ranges of work subjected to competitive tender and will continue through 1984/85.
- b. I take it that the reference to accommodation utilisation relates to office accommodation on which I understand the Efficiency Unit are also canvassing a proposal for a multi-departmental review. I have already set in hand an audit of MOD London accommodation arising out of my MINIS discussions. My staff have discussed with yours our existing procedures for the management of accommodation services, and MPO representatives have been invited to join, or observe, our teams conducting the accommodation audit.



c. On workshops and stores, there is a great deal of work already in hand. In the Research and Development Establishments this area was comprehensively covered in the Miles and Evans Reports and it is a question now of implementing their proposals and delivering the resulting savings. We are just completing a study of the Procurement Executive Stores Depot at Aston Down. I have asked Peter Levene to take a particular interest in our approach to stockholding generally. We are also taking a close look at the extent to which more repair work of all kinds can be contracted out or subjected to competition.

Obviously the extent of the effort we put into the above areas has to be looked at as part of our defence efficiency programme as a whole on which we are in close touch with Robin Ibbs. But I see no difficulty in this.

I am copying this letter to the Prime Minister, and to Sir Robin Ibbs and Sir Robert Armstrong.

A handwritten signature in cursive script, appearing to read "Gos" followed by a flourish, and a larger, more complex signature below it.

Michael Heseltine

Gov MACH: Rayner: PL 15.

226 MAR 1984

11 12 1 22
9 8 7 6 5 4



OFFICE OF ARTS AND LIBRARIES
Great George Street
London SW1P 3AL
Telephone 01-233 8610

From the Minister for the Arts

23 March 1984

David Barclay Esq
Private Secretary
10 Downing Street

Dear David,

nbpm
Dms
27/3

SCRUTINIES AND VALUE FOR MONEY

Thank you for your letter of 8 March about the follow-up to the Rayner Scrutiny Report on the Science and Victoria and Albert Museums published in 1982. The two new Boards of Trustees will assume full responsibility for the running of the museums on 1 April 1984.

As Lord Gowrie has told Sir Robin Ibbs, he will be writing to the Chairmen of the Boards of Trustees to draw to their attention the recommendations contained in the scrutiny which were remitted to them for action and to ask for their views and proposals for action within 6 months of assuming responsibility. The procedure and timetable were, of course, already set out in the Government's action document last year (paragraph 11).

I hope this will reassure the Prime Minister that we are keeping up the momentum.

Copies of this letter go to the recipients of yours.

Yours sincerely,
Mary

MRS M E BROWN
Private Secretary

GOVT MBWA: Baynes
pt 15

27 FEB 1984





10 DOWNING STREET

From the Private Secretary

MJ
cc Cabinet
Paul Cann,
Ld Gowrie's
Office
Mike Corcoran
Heyhoe's office
CO
Sir R Ibbs

23 March 1984

Civil Service Efficiency

In my letter of 13 March, I said that the Prime Minister had invited Sir Robin Ibbs to give a presentation on efficiency to Cabinet Ministers after their meeting on 29 March.

BF | I regret that we have had to postpone this presentation because of the probable length of the Cabinet agenda. It will now take place after Cabinet on Thursday 10 May at approximately 11.30 am.

I am sending copies of this letter as before.

David Barclay

Miss Janet Lewis-Jones
Lord President's Office.

ECC



FIG 874

10 DOWNING STREET

From the Private Secretary

23 March, 1984

Scrutinies and Value for Money

Thank you very much for your letter of 19 March. I am sure the Prime Minister will be glad to note the 10% savings in the Diplomatic Bag services through streamlining.

The Efficiency Unit will be in touch with your Department directly on some more detailed points.

DAVID BARCLAY

P. F. Ricketts, Esq.,
Foreign and Commonwealth Office

ECL

570



CABINET OFFICE

From the Minister of State

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

Great George Street

London SW1P 3AL

Telephone 01-233 8610

22 March 1984

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

*nbpm
Dms
23/3*

with JB

EFFICIENCY STUDIES OF COMMON ACTIVITIES

Thank you for your encouraging letter of 12 March, I will greatly welcome your active support - and collaboration. From all I hear your attitude is well reflected by those of your officials with whom my Management and Efficiency Divisions deal, and for whose work, incidentally, they have a high regard. I will ask my officials to pursue with yours involvement in some of the studies and the best means of fostering collaboration. I look forward to seeing a positive outcome with DTI participation in a good range of the work.

You are quite right in identifying some overlap with the letter of 23 February from the Efficiency Unit on a review of accommodation. The work on accommodation which MPO has been doing suggests that the issues involved, including the many questions which arise in the FMI context, might best be addressed by a multi-department review. The replies to the separate enquiries will help us to identify departmental interests and decide how best to proceed.

Copies of this letter go to the Prime Minister and the recipients of my earlier letter.

LORD GOWRIE

23 NOV 1984

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4 5 6 7 8 9
10



DRAFT PRIVATE SECRETARY LETTER

P F Ricketts Esq
Private Secretary
Foreign and Commonwealth Office

SCRUTINIES AND VALUE FOR MONEY

Thank you very much for your letter of 19 March, which ^{I am sure} ~~the~~ ^{will be} ~~is~~ ^{the} Prime Minister thinks is encouraging. She is particularly glad to note that you have managed to achieve 10% savings in the Diplomatic Bag services through streamlining. ~~Presumably the cost of the savings to be realised after the introduction of an electronic message handling system will be met in substantial part by savings in the FCO budget as a direct result and from other action.~~

~~and she has~~

The Efficiency Unit will be in touch with your Department directly on some more detailed points.

D BARCLAY



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

19 March 1984

*abpm
DMS
2013*

Dear Guy,

EFFICIENCY STUDIES OF COMMON ACTIVITIES *See Pt 14*

Thank you for copying to me your letter of 28 February to Leon Brittan.

I entirely support your view that efficiency work focussed on areas of support activities common to a number of departments can provide extremely worthwhile results, and we will be very pleased to co-operate with you in your future programme.

I note you have included DOE in possible studies of accommodation utilisation and management, and of workshops. On the accommodation study, I understand MPO officials have in fact already been in touch with officers with responsibilities for accommodation in DOE (Central) and DTp. I hope they found our input helpful, since this is undoubtedly a useful area of study.

You also suggest DOE might participate in a study of workshops. This was of course covered in the multi-departmental scrutiny of support services at research establishments, including Building Research Establishment. Are you now thinking in terms of the PSA? It would be helpful if we could have some more details; no doubt our officials will be in touch.

Turning now to the Crown Suppliers, you suggest that a study of stores is firmly planned and propose in addition a study of productivity schemes. I am afraid this causes us rather more problems. As you know, I have just launched the Crown Suppliers as a new style organisation. Stores management has a crucial role to play in improving standards of service to the customer, and the Suppliers are in the throes of major changes, with the advice of outside consultants. Your officials should have the details. I think that at the moment any further studies, whether of stores or productivity schemes, would be at best premature and at worst counter-productive. I would prefer to let things settle down before we attempt to review this area.

Finally you have quite correctly noted DOE/DTP's activity in implementing office technology systems, on which our officials are of course keeping in close touch.

Govt. MACH. Rayner 145

All in all I think your letter sets out a useful approach for future work; but we will obviously need to keep in touch on the details.

/ I am copying this letter to the recipients of your letter.

Your ee
Patric

PATRICK JENKIN

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

20... 1984

The Lord Gowrie



GR
ms pr.

Sub
233

10 DOWNING STREET

From the Private Secretary

19 March 1984

Mr Barclay

~~Dear Jan,~~

Thank you. The FCO letter is a good result and with a slight follow up. Draft attached.

TB 2/iii

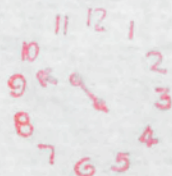
You will have received a copy of the Foreign Office reply to my letter of 8 March about scrutinies and value for money. Unless I hear from you to the contrary I shall assume that no further letter at Private Secretary level is required.

Yours ever,
David

David Barclay

I.B. Beesley, Esq.,
Efficiency Unit.

21 MAR 1984





Foreign and Commonwealth Office

London SW1A 2AH

19 March 1984

Dear David,

Scrutinies and Value for Money

Thank you for your letter of 8 March registering the Prime Minister's concern that final implementation of the scrutiny into the generation and the transmission of information should not slip beyond 1985/86.

We have no intention of losing momentum. The great majority of the recommendations made in this scrutiny have already been implemented and action is well in hand on the remainder. We have already achieved 90% of the envisaged staff savings.

Final implementation cannot be achieved before 1985/86 because one recommendation, proposing the increased use of teleletters with corresponding reductions in Diplomatic Bag services, depends upon the introduction of a computerised message handling system. Our plans for achieving this by the middle of 1985 are still on target. In the meantime, however, we have looked for other ways of making economies in bag services.

I am glad to say that by regular review of routes and schedules, we have already been able to save around £450,000 at 1981/82 prices.

I am copying this letter to Sir Robin Ibbs (Efficiency Unit) and to Sir Robert Armstrong.

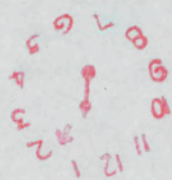
Yours ever,
Peter Ricketts

(P F Ricketts)
Private Secretary

David Barclay Esq
10 Downing Street

GSST Machinery Pt 15

Raynor Programme



19 MAR 1984



10 DOWNING STREET

From the Private Secretary

14 March 1984

Scrutinies and Value for Money:
Payment of Unemployment Benefit

I wrote to you on 8 March, in common with other Departments, about progress with implementing efficiency scrutinies.

I did not refer specifically in my letter to the scrutiny of the payment of unemployment benefits. This was mentioned in my letter to the Department of Employment, and - since I understand that some of the recommendations fall to DHSS to consider - you may like the enclosed copy of my letter to David Normington.

I am sending a copy of this letter also to David Normington.

(David Barclay)

S.A. Godber, Esq.,
Department of Health and Social Security.

AG



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Earl of Gowrie
Minister of State
Office of Arts and Libraries
Room 62/2
Whitehall
LONDON
SW1P 3AL

nbpm
DUB
14/3

13 March 1984

Dear Comy,

EFFICIENCY STUDIES OF COMMON ACTIVITIES *pt 14*

I am replying to your letter of 28 February to Leon Brittan and copied to myself and other Ministers invited to take part in one or other of the departmental studies which it is proposed to set up jointly with MPO in 1984/85.

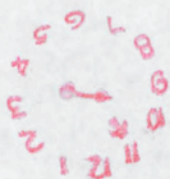
I should be very glad for the Scottish Office to take part in the Domestic Travel Study as suggested. With our particularly varied pattern of travel usage and our experience over the last five years or so of budgeting for these costs down to divisional level, we are I think a wholly appropriate department for this one. I very much hope that the study will be able to look at all forms of travel and in particular will have regard to the costs and efficiency of the use of official cars, whether from a departmental pool or supplied through the Government Car Service.

May I offer the Scottish Office in addition for the study on Implementing Office Technology Systems. In this case too we have already some experience, like most departments, of Information Technology but in addition have some distinctive requirements related both to the very considerable breadth of our departmental interests and to the physical separation of our main offices from Whitehall.

I am copying this reply to the Prime Minister and to Sir Robert Armstrong.

Yours sincerely,
George

Sa. MATH
Rayner PK-15



14 MAR 1984



Mr Barclay

I wd be inclined to send them a copy of the letter to DE.

13/3 14/iii

10 DOWNING STREET

From the Private Secretary

13 March 1984

Dear Ian,

Scrutinies and value for money:
Payment of unemployment benefit

I had a slightly anguished telephone conversation with David Normington at the Department of Employment about the letter which I sent him on your advice on 8 March about scrutinies and value for money. The Department of Employment feel that a major part of the responsibility for delay in implementing the recommendations of the scrutiny of the payment of unemployment benefit lies with DHSS. He therefore asked whether we had referred to this scrutiny in the letter to DHSS, and I was bound to admit that we had not.

Do you think there is a case for a further letter to DHSS to remind them of their part in the unemployment benefit scrutiny?

Yours ever,

David

David Barclay

Ian Beesley Esq
Cabinet Office



ECL

10 DOWNING STREET

From the Private Secretary

13 March 1984

Dear Janet,

Civil Service Efficiency

Robin Butler's minute of 6 October 1983 to Sir Robin Ibbs set out a framework for continued work to improve efficiency in the public sector. The Prime Minister continues to attach high priority to this task. She has decided to invite Sir Robin Ibbs to give a presentation on efficiency to Cabinet Ministers immediately after their meeting on Thursday 29 March (at approximately 11 am). The presentation will take place at 10 Downing Street, and will last approximately three-quarters of an hour including discussion.

I am sending copies of this letter to the Private Secretaries of all members of the Cabinet, to Paul Cann in Lord Gowrie's office and to Mike Corcoran in Barney Hayhoe's office (both of whose Ministers are invited to attend the presentation), to Richard Hatfield in Sir Robert Armstrong's office, and to Sir Robin Ibbs.

Yours ever,

David

David Barclay

Miss Janet Lewis-Jones
Lord President's Office

ECL



JH 57

Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET

Telephone (Direct dialling) 01-215 5422

GTN 215

(Switchboard) 215 7877

12 March 1984

Lord Gowrie
Minister of State
Cabinet Office
Management and Personnel Office
Great George Street
London SW1P 3AL

nbpm

*DMS
13/3*

Dear Gary,

EFFICIENCY STUDIES OF COMMON ACTIVITIES

Your letter of 28 February to Leon Brittan sought the help of colleagues with a continuing programme of efficiency work.

2 I welcome your initiative and your wish for the MPO to play its full part in studies to improve efficiency. There is an important advisory role for your officials, not least in providing a Whitehall clearing house to ensure that every Department can take advantage of work done elsewhere, thereby avoiding duplication of effort with a waste of resources. It is particularly important, as both you and Robin Ibbs have emphasised, that we keep up momentum.

3 The Annex to your letter is incomplete in omitting some studies completed or continuing in my Department, for example on office technology and registries. On one of the five areas where you propose joint work, accommodation utilisation and management, there seems to be overlap with the suggestion from Efficiency Unit officials for a Rayner-type scrutiny of accommodation. On the others, I do not wish to make definitive comments in advance of exploration by my officials of the intended scope of these studies, and the extent to which they fit into my Departmental priorities in what is a very full programme of work.

4 But, these points notwithstanding, I am all in favour of active support and collaboration in pursuing our common objectives. I have asked my officials to discuss with yours how best to achieve this.

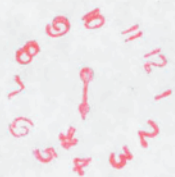
5 I am sending copies of this letter to the Prime Minister, other recipients of your letter, to Sir Robin Ibbs and Sir Robert Armstrong.

Norman Tebbit

NORMAN TEBBIT

British Council (Ordnance Survey)
D/Environment
Met. Police
Customs & Excise
ODA
DNS
ECGD - Secretary
Scottish Courts Service
MAFF
OPCS
D/Employment
MOD
Treasury
Law Offices
Home Office
Crown Suppliers
DHSS
D/Energy
CEHQ - MOD
Lord Chancellor
D/Transport
Met Office
Forestry Commission
HMSO
Inland Revenue
Welsh Office
Scottish Office
MSC
PS/Ministers
PS/Secretaries
Mr Cooper PEFO
Mr Roith CES
Mr Dougherty MSM
Mr Russell FRM
Mr Ledsome PM
Mr Hewes MSM1
Mr Doyle MSM4
Mrs Heyhoe MSM2
Mr Upsom MSM2
Mr Simpson MSM

GWT MACH: Raynes . Pt 14



23 MAR 1984



10 DOWNING STREET

From the Private Secretary

8 March 1984

Scrutinies and Value for Money

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that final implementation of the 1981 scrutiny into the generation and transmission of information will be completed in 1985/86 and commented that it is to be hoped that the work will not slip.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

Brian Fall, Esq.,
Foreign and Commonwealth Office



Bre

10 DOWNING STREET

From the Private Secretary

8 March 1984

Scrutinies and Value for Money

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The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that significant decisions are still outstanding on the Customs 1982 scrutiny of Import Entries and on three of the Inland Revenue scrutinies (Rating Procedures of 1980, Schedule D of 1981, and visits to the public of 1982). She would be grateful if Treasury Ministers would consider how early decisions on these matters can be reached and firm dates set for obtaining the improvements.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

John Kerr, Esq.,
HM Treasury



10 DOWNING STREET

From the Private Secretary

8 March 1984

Scrutinies and Value for Money

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The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that progress with implementation of the findings of the scrutiny of supporting services in Research Councils is disappointing. She hopes that your Secretary of State will take an interest in speedy action from the Heads of the Research Councils to realise the improvements, and in pursuing urgent action from his officials to implement the more general findings which fall to him to take forward.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

Miss Elizabeth Hodkinson,
Department of Education and Science



Bre

10 DOWNING STREET

From the Private Secretary

8 March 1984

Scrutinies and Value for Money

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the targets for improving value for money in 1984/85 Mrs. Thatcher is most impressed by the action your Secretary of State is taking to improve performance. She has asked me to say that she is wholly behind your Secretary of State in all this and looks forward to seeing implementation of the results. The Prime Minister would also be grateful to be kept informed of progress in securing the improvements identified during the recent review of the Prisons and hopes that urgent action will be possible to take advantage of this work which has opened up new possibilities of management action in a difficult area.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

Hugh Taylor, Esq.,
Home Office



10 DOWNING STREET

From the Private Secretary

8 March 1984

Scrutinies and Value for Money

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that important decisions from the 1982 scrutiny of the Victoria and Albert and Science Museums have been deferred until the Trustees have settled in. She hopes that it will be possible to ensure that the Trustees will deal with these outstanding matters promptly.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

Mrs. Mary Brown,
Office of the Minister for the Arts



10 DOWNING STREET

From the Private Secretary

8 March 1984

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in Government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

With everything else that is currently under discussion in the Property Services Agency the Prime Minister is anxious that steps to use scrutinies to identify improvements, and subsequent action to secure those improvements urgently, should not be overlooked. She has noted, for example, that although the main recommendations in the 1982 Resource Control Review of District Works Offices have been accepted in principle there is still no firm commitment to a date by which these useful improvements can be expected to be realised. The Prime Minister hopes that this can soon be brought to decisive action.

I am copying this letter to Sir Robin Ibbs and Sir Robert Armstrong.

David Barclay

John Ballard, Esq.,
Department of the Environment.



10 DOWNING STREET

From the Private Secretary

8 March 1984

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in Government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of your Secretary of State's plans for improving value for money in 1984/85, Mrs. Thatcher has commented that she is encouraged by the speed with which Mr. Heseltine is seeking action. The Prime Minister has asked me to say that she is wholly behind your Secretary of State in this. She hopes that the same sense of urgency will be possible in setting dates for action on recommendations from earlier value for money work such as:

- contracting-out major aircraft repair other than for the front-line for an estimated saving of £16 million a year (RAF support services review);
- bringing Army and Royal Navy pay practices up to the standard of the RAF with a potential saving of £19 million a year (scrutiny of Service and Civilian Pay);
- the scrutiny of the Met. Office, saving £7 million a year.

I am copying this letter to Sir Robin Ibbs and Sir Robert Armstrong.

David Barclay

Richard Mottram, Esq.,
Ministry of Defence.



10 DOWNING STREET

From the Private Secretary

8 March 1984

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in Government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that progress with the 1980 scrutiny of the Patent Office has been slow and she would be grateful if your Secretary of State could consider how the identified improvements might be achieved quickly.

I am copying this letter to Sir Robin Ibbs and Sir Robert Armstrong.

David Barclay

Callum McCarthy, Esq.,
Department of Trade and Industry.



10 DOWNING STREET

From the Private Secretary

8 March 1984

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in Government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that your Department has one of the best records in commissioning work to improve value for money. She hopes that this record can be maintained and that, wherever possible, the record on implementation can be improved even further.

Your Secretary of State's recent action to publish and push forward action on the NHS scrutinies is an important step. The Prime Minister is wholly behind him in this. The savings possible here are large and Mrs. Thatcher is very keen both to release the money concerned for better purposes in the Health Service and to encourage those in the service who want to do better for the taxpayer's pound. She would be grateful to be kept informed of progress through the Efficiency Unit.

Mrs. Thatcher also hopes that firm decisions and early dates for securing outstanding benefits can be agreed for the residual points in earlier departmental scrutinies:

- She noted that from the 1979 scrutiny of the Methods of Benefit Payments £10 million a year of savings are not currently expected until 1985/86 and £5 million a year not expected until even later; the Prime Minister wonders if anything could be done to speed this up.

- Savings of a further £25 million a year are believed likely to be achieved from the scrutiny of the Validation of National Insurance Contribution Records but there is, as yet, no firm commitment to secure them.
- Response to the 1982 scrutiny of the payment of benefits to people in hospital is still outstanding.

I am copying this letter to Sir Robin Ibbs and Sir Robert Armstrong.

David Barclay

Steve Godber, Esq.,
Department of Health and Social Security.



10 DOWNING STREET

From the Private Secretary

8 March 1984

Scrutinies and Value for Money

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that although many of the recommendations from the 1980 scrutiny of Payments of Benefits to the Unemployed have been implemented, significant savings are still associated with other recommendations for which decisions have not yet been taken. The Prime Minister hopes that it might be possible to seek early decisions and firm dates on these matters too.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

David Normington, Esq.,
Department of Employment



cc

PPS
 Financial Secretary
 Economic Secretary
 Minister of State
 Mr Bailey
 Mr Anson
 Mr Monck
 Miss Kelley

Treasury Chambers, Parliament Street, SW1P 3AG

Mr Lovell
 Mr Scholar
 Mr Culpin
 Mr F K Jones

6 March 1984

Mr P Rayner
 Mr Lord
 Mr Sargent
 Mr M J C Faulkner

The Rt Hon Sir Keith Joseph Bt MP
 Secretary of State
 Department of Education and Science
 Elizabeth House
 York Road
 London SE1 7PH

Dear Secretary of State

THE AUDIT COMMISSION - VALUE FOR MONEY

I was most interested to see Patrick Jenkin's letter of 12 January to Leon Brittan, enclosing a summary of the Audit Commission's handbook.

I would strongly endorse what Patrick says about the importance, in all our dealings with local authorities, of stressing the need for a greater emphasis on value for money. I know that you need no persuading of this, and that much of your current policy development is concerned with increasing the effectiveness with which local authorities deploy their educational resources. While recognizing the Audit Commission's independence, we need to ensure that what we ourselves do in government helps to reinforce the pressure which the Commission brings to bear on local authorities to cut out waste and provide services in a cost-effective and economical way.

A question on which I should value your views is how HM Inspectorate of Schools can play a part in this process. I realise of course that the Inspectorate has to maintain its proper concern with standards as well as with value for money, but in present circumstances one of the most effective ways to keep up standards is to make the best use of the resources available. There may therefore be some scope for the Commission and the Inspectorate to draw on the lessons of each other's experience. For example, the Inspectorate has I know been concerned for some time about inefficiency in some authorities' provision of further education. The Commission's handbook points to a number of common areas of weakness in

authorities' management of this sector, and makes useful suggestions for establishing a sound management framework. The Inspectorate may well be able to draw on this guidance in their work; equally, they may have valuable experience to offer the Commission in the development of guidelines for other sectors of education. I hope you would agree that - to the extent that this has not been achieved already - a close though necessarily informal exchange of knowledge and experience should be developed between the two bodies.

You will know (not least from the correspondence on Norman Fowler's proposed Social Services Inspectorate) of my concern about conflicts between some of the pronouncements of local authority service inspectorates and our efforts to control the aggregate of authorities' spending. Edward DuCann and Bernard Braine both spoke on this theme in the RSG debate on 23 January. There does seem to me to be substance in some though by no means all of their charges. It is of course very damaging to our position if we are seen to be speaking with two voices. This makes it all the more important to my mind that the inspectorates should be kept in close touch with, and do what they can to reinforce, the Commission's work on value for money.

I am copying this letter to Leon Brittan, who may want to consider whether similar considerations apply to the Inspectorates concerned with police, probation and fire; I know, for example, that HM Inspectors of Constabulary have been provided with a financial information system for use to support their work this year. George Younger and Nick Edwards may also want to comment; the Commission's work, though not directly concerned with Scotland, may nonetheless be of some relevance there. I am also sending copies to the Prime Minister, Patrick Jenkin and Norman Fowler, and to Sir Robert Armstrong.

Yours Sincerely
Peter Rees

PETER REES

(Approved by the Chief Secretary
and signed in his absence)

MR BARCLAY

OVERDUE SCRUTINY DECISIONS

Thank you for your minute of 20 February commissioning letters to Departments to press for speedier implementation and decisions as appropriate. Here are drafts to relevant Private Secretaries. Sir Robin Ibbs has indicated his consent to them all.

I
B

IAN B BEESLEY
7 March 1984

DRAFT PRIVATE SECRETARY LETTER

P/S S/S for Social Services

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

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DRAFT PRIVATE SECRETARY LETTER

PS S/S Defence

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- the scrutiny of the Met Office, saving £7m a year;

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

P/S S/S for the Environment

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

With everything else that is currently under discussion in the Property Services Agency the Prime Minister is anxious that steps to use scrutinies to identify improvements, and subsequent action to secure those improvements urgently, should not be overlooked. She has noted, for example, that although the main recommendations in the 1982 Resource Control Review of District Works Offices have been accepted in principle there is still no firm commitment to a date by which these useful improvements can be expected to be realised. The Prime Minister hopes that this can soon be brought to decisive action.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

P/S S/S for Trade and Industry

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs Thatcher noted that progress with the 1980 scrutiny of the Patent Office has been slow and she would be grateful if your Secretary of State could consider how the identified improvements might be achieved quickly.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

P/S to the Minister for the Arts

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs Thatcher noted that important decisions from the 1982 scrutiny of the Victoria and Albert and Science Museums have been deferred until the Trustees have settled in. She hopes that it will be possible to ensure that the Trustees will deal with these outstanding matters promptly.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

P/S S/S to the Home Office

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the targets for improving value for money in 1984/85 Mrs Thatcher is most impressed by the action your Secretary of State is taking to improve performance. She has asked me to say that she is wholly behind your Secretary of State in all this and looks forward to seeing implementation of the results. The Prime Minister would also be grateful to be kept informed of progress in securing the improvements identified during the recent review of the Prisons and hopes that urgent action will be possible to take advantage of this work which has opened up new possibilities of management action in a difficult area.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

PS S/S for Education and Science

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs Thatcher noted that progress with implementation of the findings of the scrutiny of supporting services in Research Councils is disappointing. She hopes that your Secretary of State will take an interest in speedy action from the Heads of the Research Councils to realise the improvements, and in pursuing urgent action from his officials to implement the more general findings which fall to him to take forward.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

P/S S/S to the Chancellor of the Exchequer

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs Thatcher noted that significant decisions are still outstanding on the Customs 1982 scrutiny of Import Entries and on three of the Inland Revenue scrutinies (Rating Procedures of 1980, Schedule D of 1981, and visits to the public of 1982). She would be grateful if ^{Treasury Ministers} your Minister would consider how early decisions on these matters can be reached and firm dates set for obtaining the improvements.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

P/S S/S of Employment

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs Thatcher noted that although many of the recommendations from the 1980 scrutiny of Payments of Benefits to the Unemployed have been implemented, significant savings are still associated with other recommendations for which decisions have not yet been taken. The Prime Minister hopes that it might be possible to seek early decisions and firm dates on these matters too.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

DRAFT PRIVATE SECRETARY LETTER

P/S S/S for Foreign and Commonwealth Affairs

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs Thatcher noted that final implementation of the 1981 scrutiny into the generation and transmission of information will be completed in 1985/86 and commented that it is to be hoped that the work will not slip.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.



Prime Minister²
Inty Clerk
213

DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

File

From the Secretary of State for Social Services

Judy Roberts
Private Secretary to
Secretary of State for Wales
Welsh Office
Gwydyr House
London SW1

mb

2. march 1984

Dear Judy,

My Secretary of State wrote to yours on 29 February, to let him know of his intention to publish shortly the report of the NHS Rayner Scrutiny on Non-Ambulance Transport.

He has decided to publish the report on Monday 5 March, and will be holding a press conference. As promised, I now attach a copy of the covering letter which will be sent to all District Health Authority chairmen. (A similar letter goes to Regional Health Authority chairmen). The letter emphasises the importance which my Secretary of State attaches to the NHS Scrutiny programme.

The other scrutiny reports so far completed are to be published shortly, and we will keep you, and copyees in touch accordingly. I am copying this to John Graham (Scottish Office), Noel Cornick (Northern Ireland Office), Ian Beesley (Efficiency Unit) and Andrew Turnbull (Prime Minister's Office).

Yours sincerely,
Ellen Roberts
ELLEN ROBERTS
Private Secretary



DEPARTMENT OF HEALTH & SOCIAL SECURITY

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

Telephone 01-407 5522

From the Secretary of State for Social Services

To all District Health
Authority Chairmen

2 March 1984

NHS SCRUTINY PROGRAMME - TRANSPORT STUDY

As you know, in 1982 I established a programme of NHS scrutinies on similar lines to the programme Lord Rayner had introduced so successfully in Whitehall. The first programme of studies has now largely been completed and I enclose the report on transport services prepared under the oversight of Mr Don Wilson, Chairman of Mersey Regional Health Authority. I intend to publish the other reports shortly.

We owe it to both patients and taxpayer to make more effective use of resources in the NHS and we must seize all opportunities for cost-improvement. I am, therefore, writing to you personally to ask you to join with me in ensuring that these scrutiny programme studies are followed up effectively.

With regard to the transport study, if all the savings in the report can be realised nationally, costs should be reduced by £15 million a year - an average of over £70,000 for each Authority. There is also the possible once and for all saving of (again on average) £100,000 per Authority if car loans are financed from the private sector. I am, therefore, asking your Authority immediately to review its existing arrangements in the light of the report with a view to preparing within four months a short note setting out the action the Authority intends to take, the timescale and the anticipated cost-improvements. These action plans should be sent to your Regional Health Authority by the end of June.

I have asked each Regional Health Authority similarly to prepare an action plan for its own transport services; to satisfy itself that each DHA's action plan represents a rigorous assessment of its cost-improvement possibilities; and to send me the action plans for the whole Region by the end of September.

In parallel with action at local level, I shall be examining the proposition on car loans (paragraph 28 of the report) and will look to the Management Side of the General Whitley Council to consider arrangements for the use of Crown cars (paragraph 25).

NORMAN FOWLER

MJ

1 March 1984

The Prime Minister was grateful to Lord Gowrie for sending her a copy of his letter of 28 February to the Home Secretary about efficiency studies of common support activities. The Prime Minister has noted this without comment.

David Barclay

Paul Cann Esq
Management and Personnel Office.

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PART

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M/S MPO to Have Fee

28.2.84

PART

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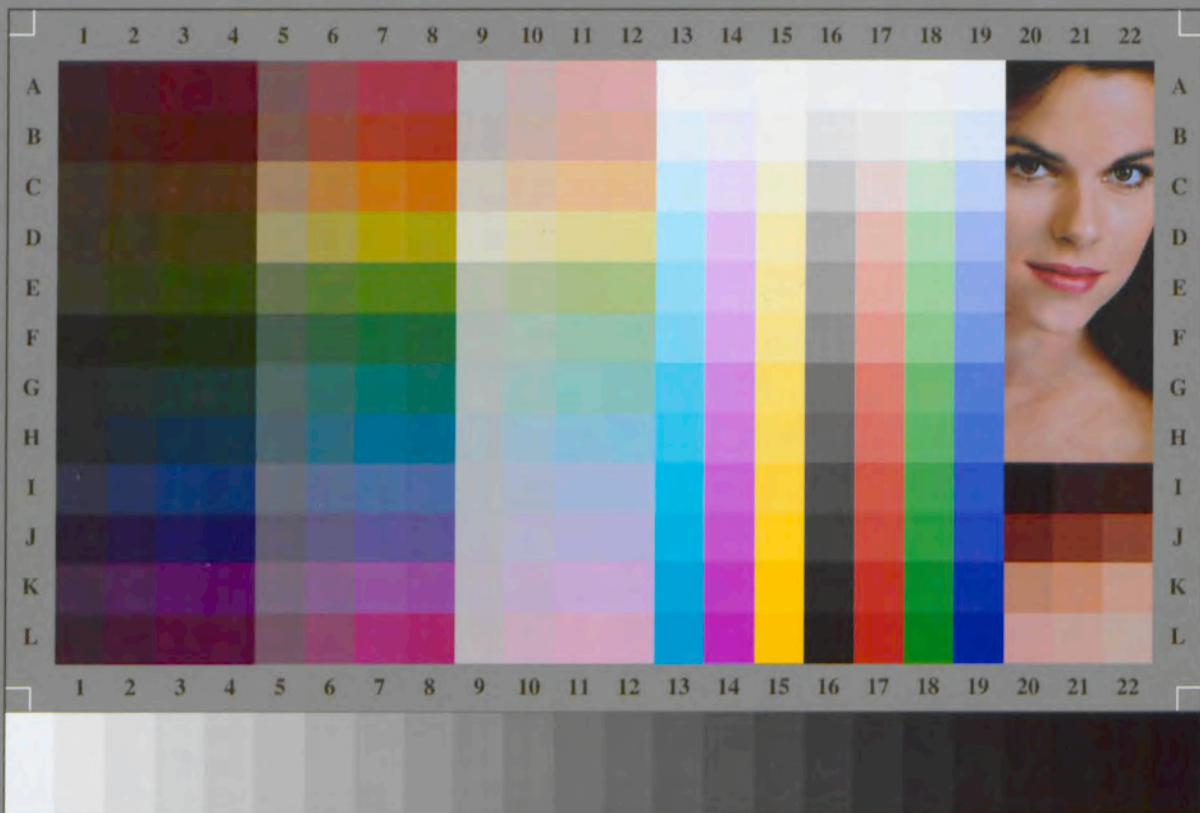
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